ANNUAL REPORT 2019

Mesaieed Petrochemical Holding Company

TEL +974 4013 2080 www.mphc.com.qa
FAX +974 4013 9750 mphc@qp.com.qa

ADDRESS P.O. BOX 3212 , DOHA, QATAR

"Operational excellence in challenging markets"

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.

شركـة مسيعيد
للبتروكيماويات
القـابضـة
Mesaieed
Petrochemical
Holding Company

CONTENT

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

AHMAD SAIF AL-SULAITI
Chairman

MOHAMED SALEM ALYAN AL-MARRI
Vice Chairman

ABDULRAHMAN AHMAD AL-SHAIBI
Board member

ABDULAZIZ JASSIM MOHD AL-MUFTAH
Board member

ABDULAZIZ MOHAMMED AL-MANNAI
Board member

MOHAMMED ESSA AL-MANNAI
Board member

ALI NASSER TELFAT
Board member

LETTER FROM THE CHAIRMAN

LETTER FROM THE CHAIRMAN

"Building financial strength through operational excellence, growth and sustainability."

Dear Shareholders,
I am honored to present the 2019 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 would like to thank and congratulate my fellow Board members and the senior management of the Group companies for their dedication, hard work and commitment in delivering sustained and resilient operational and financial results in a challenging macroeconomic conditions. I would also like to especially thank the 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 driven by continuous optimization of processes and costs, improved reliability and enhanced asset integrity. Growth was supported by leveraging synergies and partnerships. In sustainability, we continued to limit the environmental impact of our business, while enhancing energy efficiency and conservation measures.

The Group remained focused on its five-year business strategy of containing expenses while making investments to unlock new growth potential. MPHC is poised to strengthen its market position and increase shareholder value, as it follows a strategy of being a first-quartile petrochemicals producer known for shareholder value, operational excellence, and high safety and environmental standards.

MACRO-ECONOMIC CONDITIONS

Global economic uncertainty was well documented in 2019, slowing GDP growth and affecting demand, which was felt across the Group. Ongoing trade conflicts and changing trade flows caused several key economies to slow, which weighed on demand for MPHC products. A rising surplus of capacity around the world has increased downward pressure on commodity prices, especially for some petrochemicals and chlor-alkali products produced by MPHC.

FINANCIAL PERFORMANCE

MPHC's financial performance in 2019 reflected the challenging conditions that prevailed regionally and internationally. Its performance was impacted by macroeconomic factors largely beyond the Group's control. These translated into increased pressure on Group's product prices, which weighed on the Group's overall profitability. Net profit of QR 1.2 billion, declined by 15% in 2019 from last year, with earnings per share falling to QR 0.095 in 2019 from QR 0.111 in 2018.

CREATING SHAREHOLDER VALUE

Since incorporation in 2013, a total dividend of QR 5.3 billion has been distributed. This is a clear evidence of the Board's commitment to preserving shareholder value, while maintaining the liquidity necessary for investments, debt obligations and unexpected adversities.

Given these considerations and in light of the current short- to medium-term outlook, and the extensive CAPEX program planned in the upcoming years, the Board of Directors proposes to pay a total annual dividend distribution for the year ended 31 December 2019 of QR 0.9 billion, equivalent to a payout of QR 0.07 per share, representing a payout ratio of 74%.

CONCLUSION

On behalf of the Board of Directors, I express 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 prepared 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 to ensuring that MPHC as a key player continues to play a vital role in Qatar's economy.

BOARD OF DIRECTORS' REVIEW

BOARD OF DIRECTORS' REVIEW

"Achieving market development and operational excellence through cost optimization and efficiency gains."

The Board of Directors is pleased to present its annual review of the financial and operational performance of MPHC for 2019.

MPHC OVERVIEW

MPHC's ownership structure comprises Qatar Petroleum, with a 65.5% stake. The remaining is held by public.

COMPETITIVE ADVANTAGES

All MPHC Group companies are strategically equipped with competitively priced and assured feedstock supplies, solid liquidity position with the ability to generate strong cash flows and key relationships with reputable, globally recognised joint venture (JV) partners. Our partnership with Muntajat, a global leader in the marketing and distribution of chemical products, gives us greater access to global markets.

These benefits helped the Group grow its production facilities, product range, geographical footprint, operating asset base and cash position in 2019.

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 selectively invest in capital projects that increase our competitive position and shareholder value.

MACROECONOMIC CONDITIONS

Macroeconomic conditions turned negative in 2019 amid global economic uncertainty and muted GDP growth, which lowered demand across our petrochemical and chlor-alkali segments. Ongoing trade conflicts exacerbated the market slowdown. Additional capacity, particularly in the US polymers sector, caused prices for these commodities to decline and created a supply-demand imbalance for petrochemical products. By contrast, the expansion of capacity was more limited for normal alpha olefins (NAOs) because of plant disruptions and startup delays. Supplies for NAOs became more balanced in the latter part of 2019.

HSE ACHIEVEMENTS

MPHC's Health, Safety and Environment (HSE) performance in 2019 was again exemplary, reflecting its importance as a critical part of the Company's core business strategy. In 2019, 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 efficiency and cost competitiveness to maintain its position as a leading low-cost operator. Our cost optimization efforts continued in 2019, producing a string of successes and recognitions.

The Group companies undertook further efforts during the year to improve their cost competitiveness, enabling the Group to unlock its full potential. MPHC continues to invest in people, processes, and technologies to maintain its status as a lean organization that operates at the highest quality standards, with a core focus of operational excellence.

Some of the Group's cost efficiency highlights in 2019 included: reducing controllable operating costs and maintaining its excellent cost positioning; delivering synergies with other companies in Qatar's downstream sector; working with leading global consultancies to improve processes and optimize CAPEX and OPEX; and executing a comprehensive cost optimization program.

In its efforts, the Group maintained optimal production levels without compromising on quality or safety standards, achieving production within budgeted parameters. Performance gains in this area were particularly strong for the Group's polyethylene (PE) and NAO facilities.

Unplanned maintenance shutdowns occurred at several Group facilities during 2019, but were quickly addressed, providing valuable information to avert future shutdowns and maximize efficiency.

Continuous quality improvement efforts were maintained. In 2019, one of our petrochemical joint ventures, Q-Chem, was presented with the Chevron Phillips Chemical 2018 President's Award for Operational Excellence at Large Facilities. Q-Chem also won the Korn Ferry Engaged Performance Award for 2019.

In 2019, we again set new safety records in our Petrochemicals segment, completing 12 consecutive years without a recordable instance of heat stress and not a single recordable injury in Tier 1 and 2 process safety events.

SELLING AND MARKETING ACTIVITIES

Our partnership with Muntajat, a global leader in the marketing and distribution of chemicals, fertilizers and steel 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.

FINANCIAL PERFORMANCE

MPHC reported a net profit of QR 1.2 billion for the year ended 31 December 2019, down by 15% compared to the last year. The decline was largely the result of slowing global economic growth mainly due to trade conflicts, which weighed on demand for MPHC products. Global surplus capacities pressured commodity prices lower, especially for petrochemicals and chlor-alkali products made by MPHC.

At the Group level, blended selling prices declined by 15% during 2019, contributing to a decrease in Group net profit of QR 552 million. Group sales volumes declined by 5% year-on-year and contributed to a decrease of QR 133 million in Group earnings.

MPHC's production levels were down by 3% from 2018 levels, amid planned and unplanned maintenance shutdowns.

The liquidity of the Group remained robust throughout the year. Cash held by MPHC at the end of 2019 was QR 1.8 billion, with total assets of QR 15.5 billion, compared with QR 15.3 billion at the end of 2018.

During the year, the Group also received an income tax exemption, with effect from 1 January 2019, where its share of profit in all of the Group's joint ventures will be fully exempt from income tax liability.

CAPEX UPDATES

Capital expenditure for 2019 amounted to QR 220 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 expansion project will provide a sustained increase of approximately 7% in ethylene production, increasing the utilization of Q-Chem's existing derivatives production capacity. At an estimated cost of QR 391 million, this investment is predicated on positive capital returns and increased operational flexibility.

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

PROPOSED DIVIDEND DISTRIBUTION

The Board of Directors proposes a total annual dividend distribution for the year ended December 31, 2019 of QR 0.9 billion, equivalent to a payout of QR 0.07 per share, representing a payout ratio of 74%.

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 the great trust you place in us.

BOARD OF DIRECTORS' SEGMENTS REVIEW

BOARD OF DIRECTORS' SEGMENTS REVIEW

PETROCHEMICALS

STRATEGY AND KEY ACHIEVEMENTS

Our Petrochemical segment achieved several milestones in 2019 as it pursued a strategy of growth, business excellence and sustainability. Several achievements stand out, including the implementation of our Cost Optimization Program (COP) and Continuous Improvement Program (CIP), and a series of reliability improvements that led to a reduction in unplanned losses from internal and external events. All of these measures are designed to improve business excellence.

MACROECONOMIC UPDATES

The trade conflict between US and China limited demand for several MPHC petrochemical products, especially polymers. At the same time, new production capacity came on-stream, leading to a drop in operating rates at many petrochemical facilities. The US added polymer capacity, straining polymer markets. Margins across petrochemicals fell with operating rates, and production costs for price-setting units remained elevated.

HSE ACHIEVEMENTS

We continued during 2019 to improve and enhance our HSE activities in Petrochemicals. In the process, we set new safety records and received certification from global standards bodies.

We completed 12 years without a single recordable incidence of heat stress, and no recordable injuries were reported in relation to Tier 1 and Tier 2 process safety events. We had only three Company Responsible Environmental Reportable events in 2019.

We were certified ISO 45001:2018 for Occupational Health and Safety Management Systems and renewed our certification to RC 14001:2015, an international standard for Responsible Care Management Systems, recertification to ISO 14001:2015 for Environmental Management Systems and recertification on ISO 9001:2015, an ISO Standard for Quality Management System.

Our Recordable Incident Rate (RIR) for 2019 was 0.07, while our Process Safety Event Rate (PSER) was zero.

ACHIEVING COST EFFICIENCIES

The two JVs in our Petrochemicals segment, Q-Chem and Q-Chem II, are committed to driving down their fixed controllable costs. To ensure these operating entities meet expectations, we continued to focus on our Cost Optimization Program (COP), which gives us the ability to accelerate efficiency gains and further reduce costs.

During 2019, each operating entity reviewed its cost structure in depth and identified potential cost reductions in labor, repair and maintenance related operating expenditures, contract services and overhead. From this review, the Petrochemicals segment constructed a cost reduction road map for the next four years.

OUTPUT OPTIMIZATION

At the Q-Chem and Q-Chem II facilities, ethylene capacity utilization is benchmarked every two years by Solomon Associates against more than 100 ethylene crackers worldwide. Based on the last benchmark results, our ethylene capacity utilization was in the acceptable quartile range, using criteria based on different types of plants and technologies.

Our polyethylene (PE) capacity utilization is benchmarked annually by Phillips Townsend Associates against more than 100 polyethylene plants. The results of the last benchmarking exercise showed our PE capacity utilization to be in the second quartile.

In 2019, Q-Chem achieved best-in-class performance for off-spec polyethylene generation, delivering a second consistent year of below 0.9%. 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 with zero justified customer complaints in last four years.

To further innovation, we enhanced operational excellence and advanced our sustainability strategy. In 2019, we implemented a more efficient activation cycle for polyethylene catalysis, which reduced fuel consumption and increased the availability of catalyst activators. We optimized NAO temperatures to 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. We were also able to optimize our maintenance turnarounds to a five-year cycle and will work closely with our upstream partners to investigate a further extension to a six-year cycle at our Q-Chem and Q-Chem II facilities.

FINANCIAL PERFORMANCE

The overall profitability of our Petrochemicals segment remained under pressure, with a decline in bottom-line earnings of 16% compared with 2018. This was mainly due to softening demand for petrochemical products in key markets, combined with declining market prices.

Blended product prices in the Petrochemicals segment declined by 16% in 2019, coupled with a decline in sales volumes of 2% due to imbalances in supply and demand. This caused overall revenues to decline by 18%.

Production volumes declined 2% from last year, as a result of shutdowns aimed at improving health, safety and environmental standards, whilst also focusing on enhancing asset performance and efficiency.

CAPEX UPDATES

During 2019, our CAPEX of QR 199 million was mainly restricted to our SAP upgrade, polished water tank, caustic setter internal thermal metal spray coating, deaerator replacement, seawater filtration and cyber security projects. These projects enhanced the reliability of our production operations and reduced the impact of those operations on the environment. Future major CAPEX investments will include the sixth furnace, dock jetty repair and sulfur silo projects.

CHLOR-ALKALI

STRATEGY AND KEY ACHIEVEMENTS

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

In terms of financial performance, the business met its cost-reduction targets. However, profit came in below target amid declining prices and production.

MACRO-ECONOMIC UPDATES

Global economic uncertainties and slowing growth, along with depressed oil and gas prices, negatively affected the Chlor-Alkali segment. The ongoing US-China trade conflict also weighed on demand. Capacity creep occurred faster than historically expected, and as new capacity was added to the market, chlor-alkali prices declined. Importantly, sluggish demand in most of Asia, coupled with stable operating rates, further weighed on prices.

HSE ACHIEVEMENTS

The segment is focused on enhancing the level of existing HSE standards, while pursing global standards that lead to operational excellence. The health and safety of workers remained a key priority for our efforts in 2019, as we took steps to improve the level of process safety and awareness.

Key HSE achievements in our Chlor-Alkali facilities during 2019 included executing a safe-and-secure unplanned shutdown of our vinyl plants during the summer season; engaging DuPont to support the implementation of our process safety management program; and holding a week of safety awareness sessions for employees at QVC facilities.

ACHIEVING COST EFFICIENCIES

Efficiency and cost competitiveness are prerequisites for the Chlor-Alkali segment retaining its position as a low-cost, efficient operator. In 2019, our focus was on controlling costs while ensuring optimal production levels without compromising on quality or safety.

Key cost-saving milestones in 2019 included: completing an energy efficiency review across QVC using Solomon benchmarking data; completing a study with McKinsey and Worley Parsons to improve process steam efficiency and optimize CAPEX; signing a 12-month contract under favorable terms for the purchase of additional ethylene from an international supplier; and deriving continued cost savings in procurement by partnering with six Mesaieed Industrial City companies.

It is worth noting that the ethylene supply contract pricing came in below budget and had a positive impact on QVC's operating costs. We plan to negotiate similar advantageous agreements for additional feedstocks in the future.

OUTPUT OPTIMIZATION

In terms of output optimization, the segment sought to achieve optimal production levels without compromising on quality and safety standards.

Although there were planned and unplanned maintenance shutdowns during 2019, they were in line with the Group's commitment to enhancing health and safety, plant life, quality assurance and reliability.

FINANCIAL PERFORMANCE UPDATES

Revenue in the Chlor-Alkali segment declined in 2019 by 21% compared to 2018 to reach QR 680 million for the year ended 31 December 2019. The decline in revenue was mainly attributed to the decrease in selling prices of 13%, with sales volumes also declining by 9%. Sales prices and sales volumes fell amid the well-documented macroeconomic slowdown, which affected the industry globally. The decline in sales volumes was also affected by declining production volumes, which decreased by 4% as compared to last year amid preventive maintenance.

During the year, the segment reported a net profit of QR 274 million compared to QR 141 million in 2018, with an increase of 94%. Net profits rose as operating costs fell, as the Group’s joint venture executed additional feedstock supply agreements with international suppliers on terms that were favorable given the prevailing market conditions. The effects of tax exemption for the full-year of 2019 also had a positive effect on profits.

CAPEX UPDATES

During 2019, CAPEX was mainly restricted to HSE and facility maintenance-related projects, with a total outlay of QR 21 million.

Going forward, some of the capex projects will include caustic storage tank improvements, the replacement of some obsolete items, design improvements to our oxy chlorination grid plates, the installation of a surge arrester on the 33KV QVC network. In the long run, these projects will improve production output and reduce emissions at our plants.

MPHC GROUP AT A GLANCE

MPHC GROUP AT A GLANCE

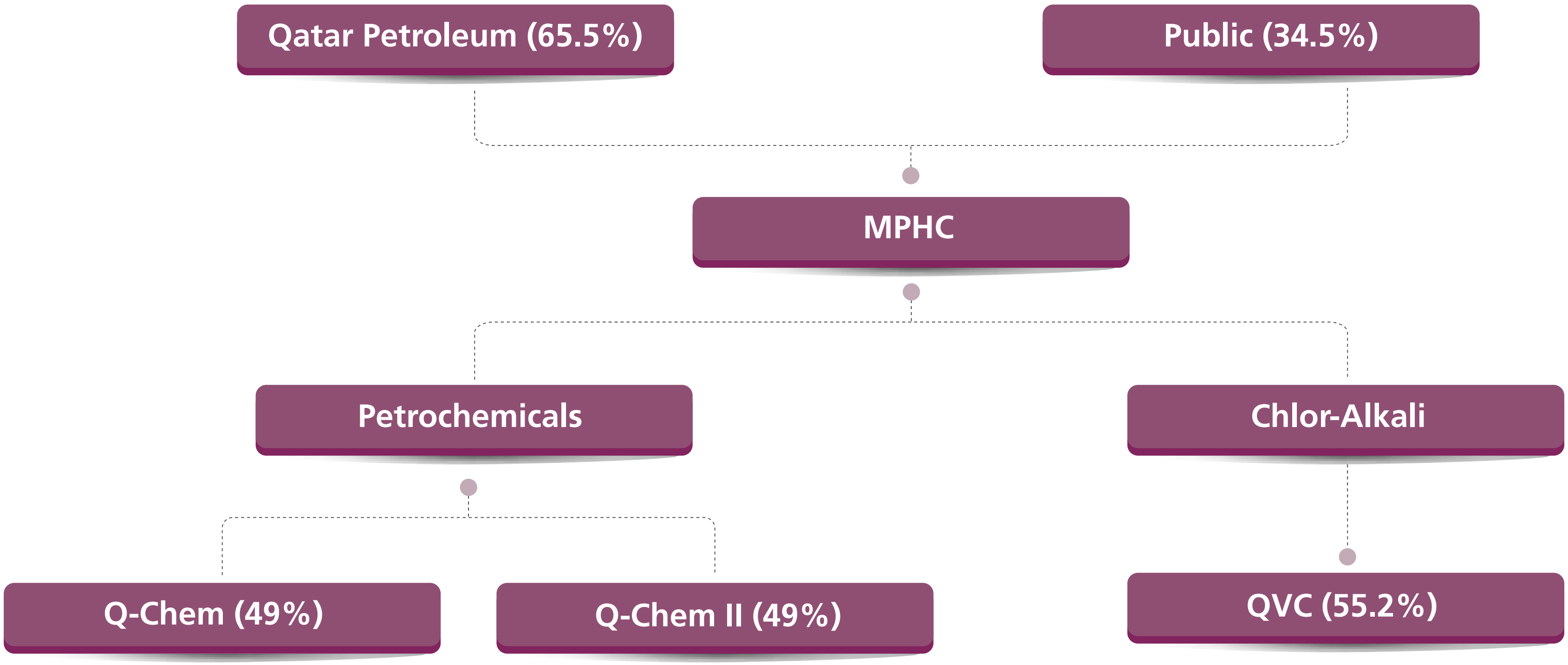
OVERVIEW

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.

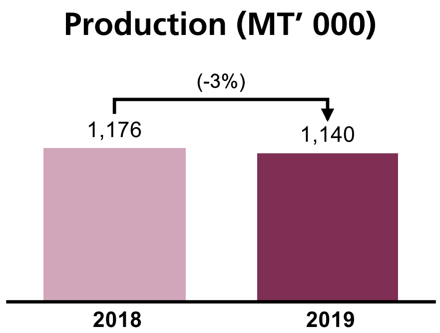
HEAD OFFICE FUNCTIONS AND MANAGEMENT STRUCTURE

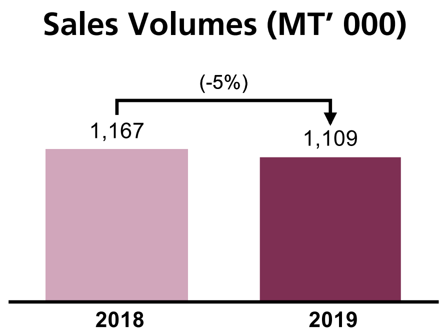
Qatar Petroleum, MPHC's largest shareholder, provides all head office functions for the Group through a service level agreement. The operations of the Group's joint ventures are independently managed by their respective Boards of Directors and senior management teams.

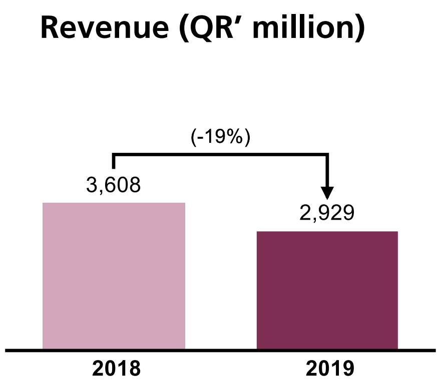
OWNERSHIP STRUCTURE

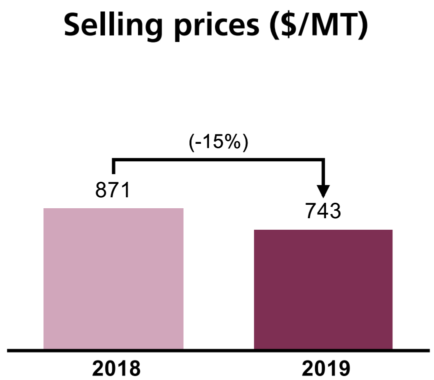


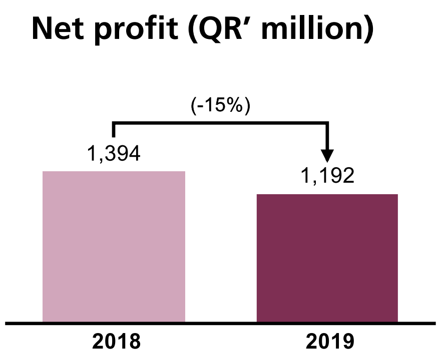
MPHC 2019 PERFORMANCE

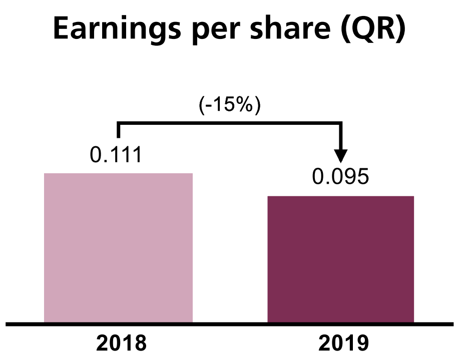




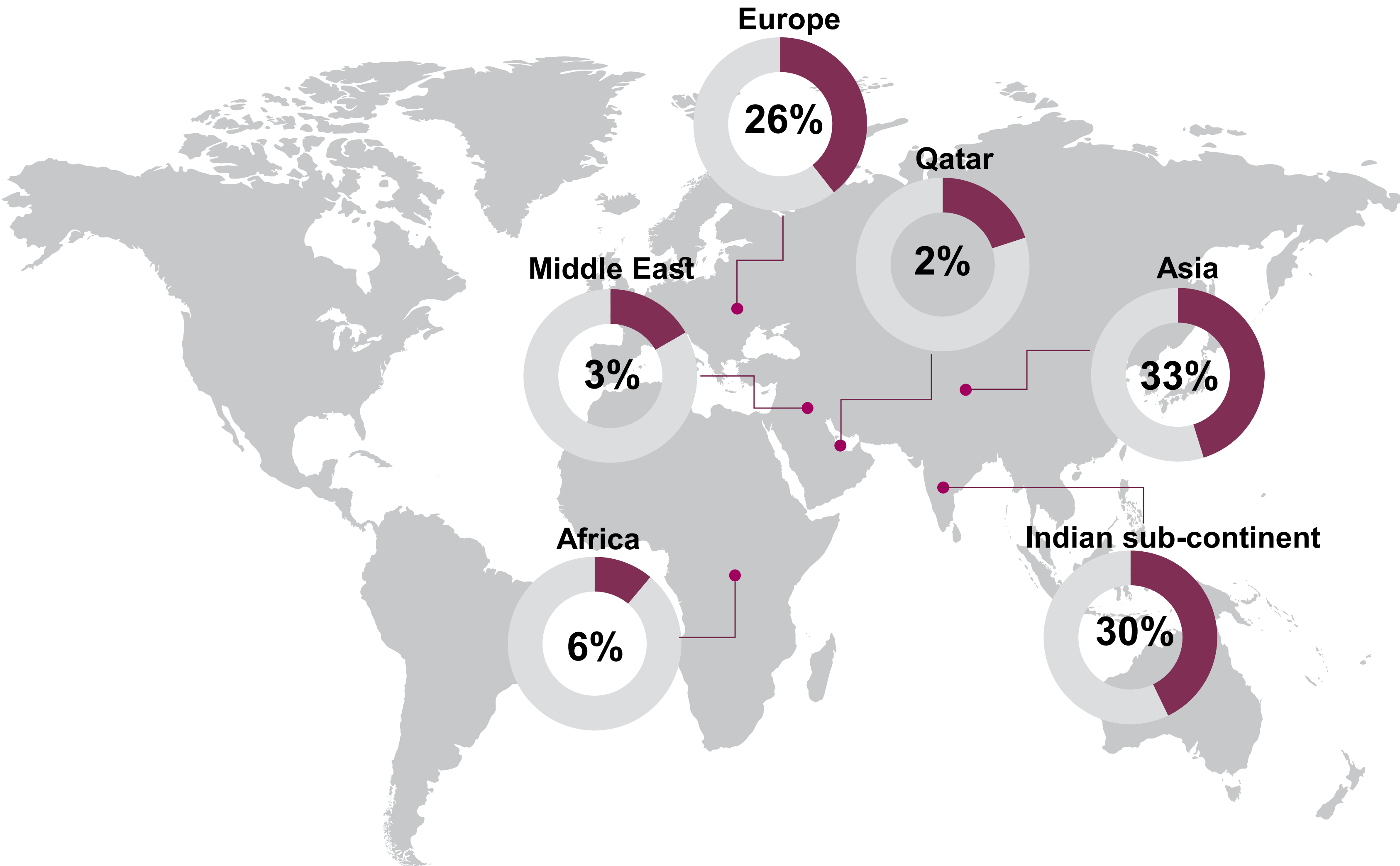








REVENUE BY GEOGRAPHY (%)



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.P.J.S.C. (Q-Chem) and Qatar Chemical Company II Limited Q.P.J.S.C. (Q-Chem II).

Q-Chem, incorporated as a joint venture in 1998, is currently owned by MPHC (49%), Chevron Phillips Chemical International Qatar Holdings L.L.C. (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.

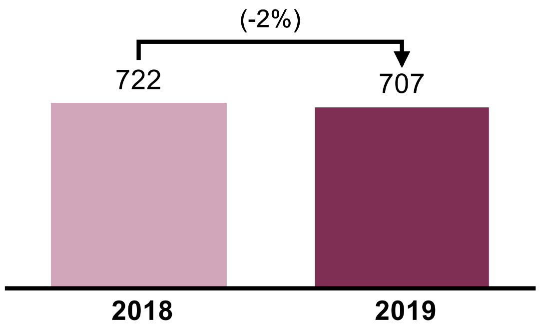
Q-Chem and Q-Chem II's normalized production capacities of key products is as follows:

	Capacity (000' MT)
Ethylene*	1,220
HDPE	810
1-hexene	60
NAO	345

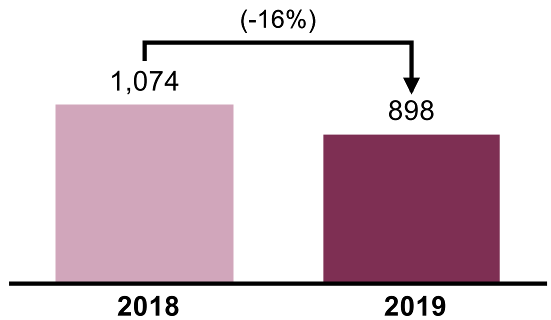
* Consumed as a feedstock for the finished products.

2019 PETROCHEMICALS PERFORMANCE

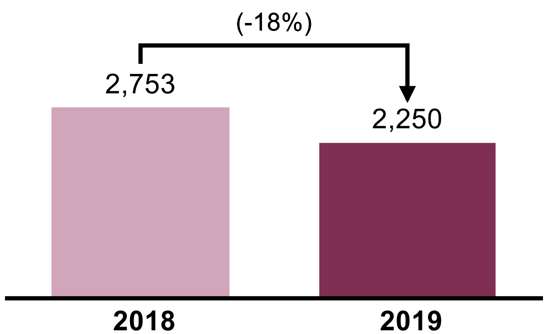
Production (MT' 000)



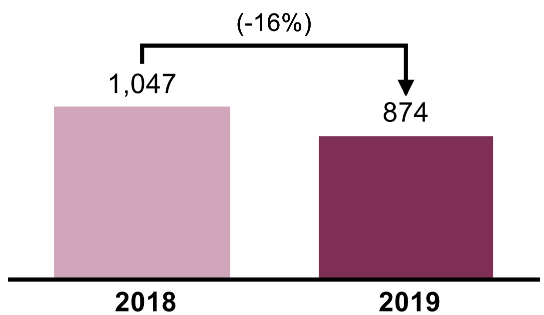
Selling prices ($/MT)



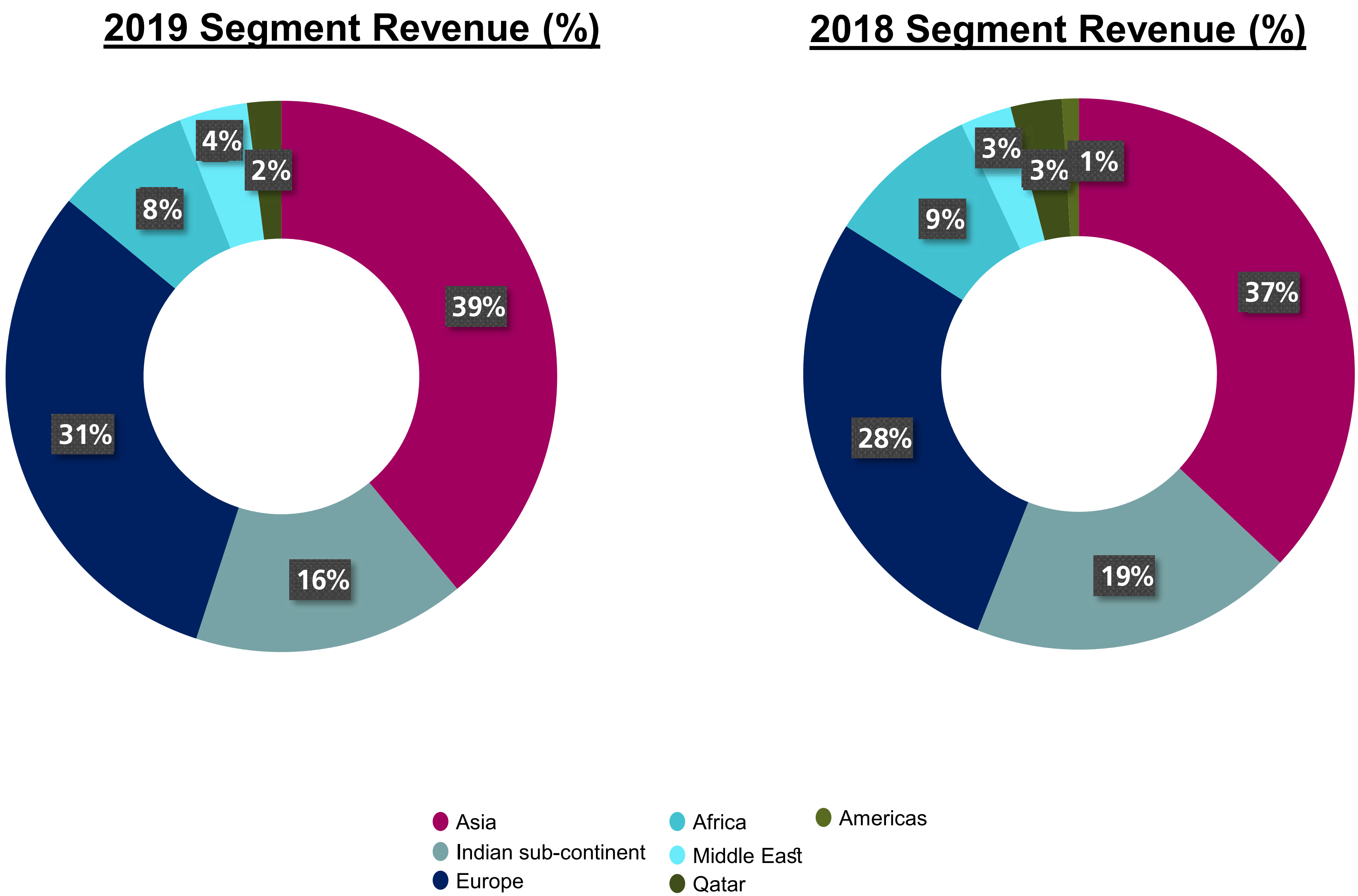
Revenue (QR' million)



Net profit (QR' million)



PETROCHEMICALS



CHLOR-ALKALI

SEGMENT OVERVIEW

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

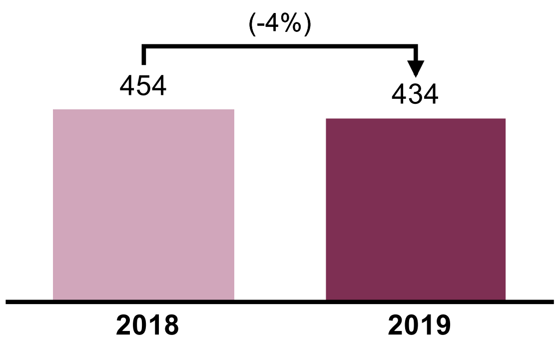
QVC, incorporated as a joint venture in 1997, is currently owned by MPHC (55.2%), Qatar Petrochemical Company Q.P.J.S.C. (31.9%) and Qatar Petroleum (12.9%). QVC is engaged in the production of caustic soda, ethylene dichloride (EDC), vinyl chloride monomer (VCM) and hydrochloric acid (HCL).

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

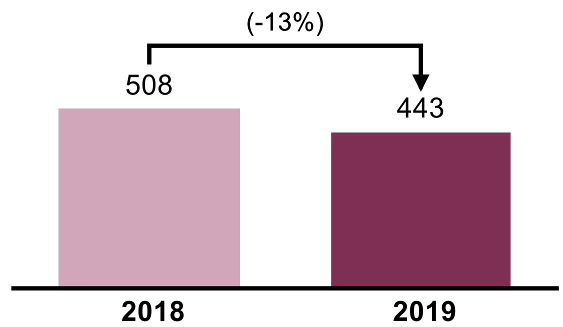
	Capacity (000' MT)
Caustic Soda	370
EDC	180
VCM	355
HCL	15

2019 CHLOR-ALKALI PERFORMANCE

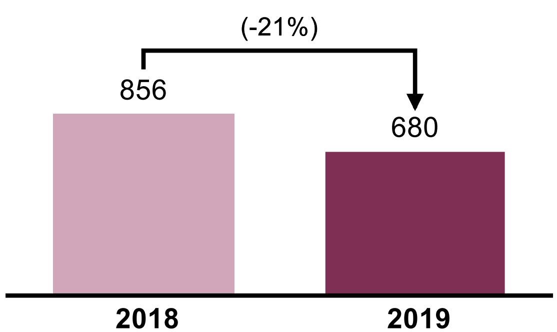
Production (MT' 000)



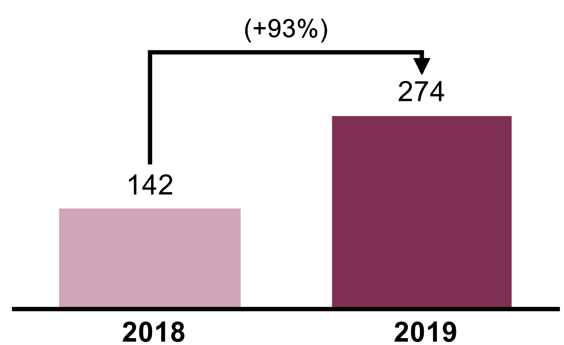
Selling prices ($/MT)



Revenue (QR' million)

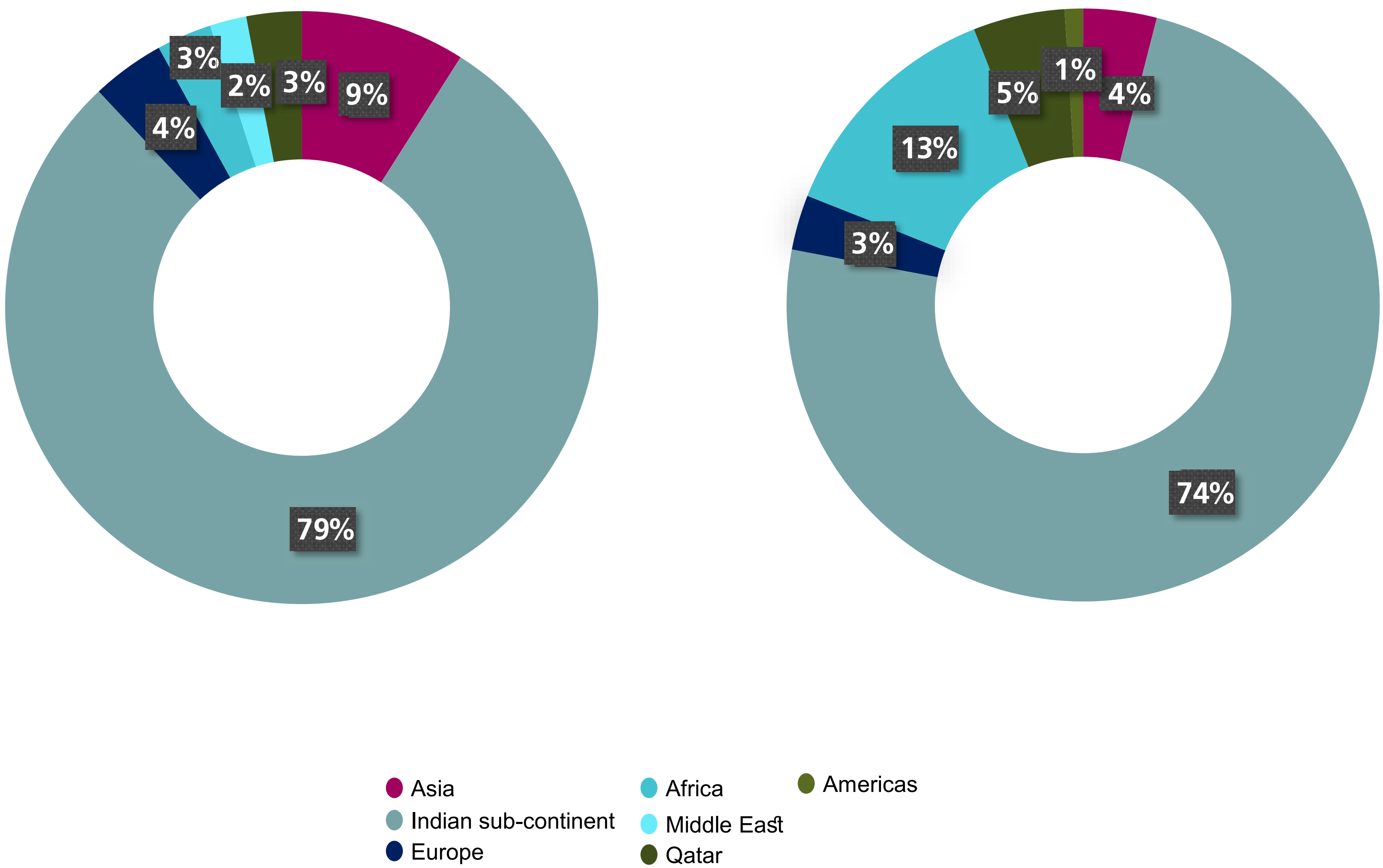


Net profit (QR' million)



2019 Segment Revenue (%)

2018 Segment Revenue (%)



INDEPENDENT AUDITOR'S REPORT

INDEPENDENT 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 2019 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 2019;
- 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 a summary of significant accounting policies.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 these requirements and the IESBA Code.

OUR AUDIT APPROACH

OVERVIEW

Key audit matters	• Revenue recognition • 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
REVENUE RECOGNITION As disclosed in note 3.ii, the Company's share of the combined results of the joint ventures (QChem, Q-Chem II and QVC) of QR 946 million for the year ended 31 December 2019 represents 94% of total revenues of the Company. The results of operations of these joint ventures of QR 1,869 million for the year ended 31 December 2019 represent 31% of sales revenue generated by these joint ventures. The majority of the joint ventures' sales are made to one customer "Qatar Chemical and Petrochemical Marketing and Distribution Company" ("Muntajat"). According to the revenue recognition policy applied by each of the joint venture companies, revenue from sales of products is recognised when the joint venture has transferred the control of the products to the customer at the point of delivery, where terms of delivery are specified in the offtake requirement agreements. We focused our audit on the sales revenue of the joint ventures because of the large product volumes and consequent high values of individual shipments, as we determined that errors in revenue recognition at the joint venture company level could result in material misstatements in the financial statements of the Company when it recognises its share of each investee's net income under the equity method of accounting.	Our procedures in relation to revenue recognition from sales made by the individual joint ventures included: • Reviewing the terms of the relevant sales agreements with Muntajat; • Evaluating the joint venture companies' accounting policies in relation to revenue recognition to determine whether or not they dealt appropriately with the sales made under offtake requirements; • Understanding, evaluating and testing internal controls over revenue recognition at the joint venture level, including the timing of revenue recognition; • Inspecting, on a sample basis, the sales statements received from Muntajat; and • Performance of cut-off testing of sales transactions, on a sample basis, to test whether the revenue of each entity has been recognised in the correct period.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
INCOME TAX POSITION As disclosed in note 17, the new income tax law 24/2018 came into effect in 2019 which impacts the tax status of the Company and its joint ventures. Subsequently, a Memorandum of Understanding ("MOU") was signed between the appropriate government authorities and a key shareholder agreeing to certain variations on how to apply the income tax provisions to the Company. As a result of the terms of the MOU, the Company has now treated its share of profits in one joint venture as tax exempt and recognised a tax refund under Other Assets for QR371 million, within current assets in the Statement of Financial Position, as at 31 December 2019 including QR169 million for 2018 relating to its share of tax payable by its other joint ventures. We focused on this area because the financial consequences of applying the MOU are material to the financial statements of the Company and also the interaction of the new tax law, the MOU and certain joint ventures legal agreements required management to apply significant judgment to determine their tax position and recognition of the tax refund under Other Asset.	Our procedures in relation to management's assessment of the tax position and recoverability of the tax refund under Other Assets included: • Reading and evaluating the different correspondence, legal documents and minutes of meetings held between the key shareholder and the relevant government authorities to assess the validity of the main judgements made by management; • Consulting with our internal tax specialist to assess whether the application of the various joint ventures agreements was appropriate in light of the new income tax law; • 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; • Assessing the requirements of IAS – "37 Provisions, contingent liabilities and contingent assets" to assess the appropriateness of the recognition of the tax refund under Other Assets; and IAS 12 -"Income taxes" to assess whether the variations included in the MOU were substantially enacted by the reporting date and tax accounting applied was consistent with the standard; and • Assessing the appropriateness of disclosures in the financial statements relating to the judgments made by management in relation to the Company's tax position.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises 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

Management is 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, management is 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 management either intends to liquidate the Company or to cease operations, or has 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 management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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, related safeguards.

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 2019.

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

Mohamed Elmoataz
Auditor's registration number 281
Doha, State of Qatar
20 February 2020

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS 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 2019

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 accompanying "Board of Directors' assessment of the Internal Control Framework over financial reporting of Significant Processes" report of the Company as at 31 December 2019, 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 accompanying "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 accompanying "Board of Directors' Assessment of Internal Control Framework over Financial Reporting of Significant Processes", as included in Governance Report, 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 as presented in the accompanying report, as included in the Governance Report, 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 accompanying "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 2019 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 is responsible for the other information. The other information comprise the other sections in the

Governance Report (but does not include the "Board of Directors' assessment on the suitability of design and operating effectiveness of internal controls over financial reporting for significant processes", as included in the Governance Report, and our report thereon), which we obtained prior to the date of this assurance report.

Our conclusions on the accompanying "Board of Directors' assessment of internal controls framework over financial reporting of significant processes" 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 accompanying "Board of Directors' assessment of the internal controls framework over financial reporting of significant processes", our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with 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.

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 and as presented in the Board of Directors' report is presented fairly, in all material respects, as at 31 December 2019.

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

Mohamed Elmoataz
Auditor's registration number 281
Doha, State of Qatar
20 February 2020

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 2019

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 accompanying 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 2019, 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 accompanying '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 accompanying 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 accompanying 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 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 conclusion on the accompanying Board of Directors' assessment on compliance with QFMA's law and relevant legislations, including the Code do not cover the other information and we does not, and will not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the accompanying 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 accompanying Board of Directors' assessment on compliance with QFMA's law and relevant legislations, including the Code, 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 as at 31 December 2019.

Emphasis of matters

Non-compliance matters identified by management

We draw attention to the matters highlighted in sections 3-1, 3-2, 3-9-3, 3-9-1 and 4-3 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 (5) of the Code, the Articles of Association does not specify the amount of shares that should be held by the shareholder when elected. In line with Article (99) of Law No. 11 of 2015, which states that the State's representatives in the Board of Directors of public shareholding companies shall be exempted from providing shares as guarantees for their membership.
- 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 MPHC did not constitute a Nomination Committee since the duty to appoint Board Members in MPHC is undertaken by QP.
- All Board Members of the Company are appointed by Qatar Petroleum, as representatives on its behalf, in accordance to Article (22.2) of the Article of Association of the Company that permits QP to appoint all Board Members of MPHC, which is against Article (35) of the Code.
- Contrary to Article (19) of the Code, the Audit Committee only met five times in 2019 as opposed to a minimum of six times.
- Management is in the process of formalising a monitoring plan process to ensure the compliance with all QFMA laws and regulations relevant to the Company.

Our report is not modified in this respect.

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 (Together, the “Group”) 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

Mohamed Elmoataz
Auditor’s registration number 281
Doha, State of Qatar
20 February 2020

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(All amounts expressed in thousands Qatari Riyals unless otherwise stated)

	2019	2018
ASSETS		
Non-current assets		
Investments in joint ventures	**13,367,562**	13,161,558
Current assets		
Prepayments and other receivables	**7,777**	31,718
Other asset	**371,454**	169,603
Deposits and other bank balances	**1,006,964**	1,735,247
Cash and cash equivalents	**755,143**	176,417
Total current assets	**2,141,338**	2,112,985
Total assets	**15,508,900**	15,274,543
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**12,563,175**	12,563,175
Legal reserve	**61,934**	57,600
Retained earnings	**2,628,857**	2,443,892
Total equity	**15,253,966**	15,064,667
LIABILITIES		
Current liabilities		
Trade and other payables	**248,048**	201,436
Due to a related party	**6,886**	8,440
Total liabilities	**254,934**	209,876
Total equity and liabilities	**15,508,900**	15,274,543

The financial statements were approved and authorised for issue by the Board of Directors on 20 February 2020 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 2019
(All amounts expressed in thousands Qatari Riyals unless otherwise stated)

	2019	2018
Share of results from joint ventures	**946,319**	1,188,347
Interest income	**59,592**	51,120
Gross profit	**1,005,911**	1,239,467
Exchange and other gains	**3,828**	4,829
General and administrative expenses	**(20,082)**	(19,476)
Other income	**201,851**	169,316
Net profit for the year	**1,191,508**	1,394,136
Other comprehensive income	**-**	-
Total comprehensive income for the year	**1,191,508**	1,394,136
Earnings per share		
Basic and diluted earnings per share (expressed in QR per share)	**0.095**	0.111

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

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

	Share Capital	Legal Reserve	Retained Earnings	Total
Balance at 1 January 2018	12,563,175	37,020	1,984,611	14,584,806
Profit for the year	-	-	1,394,136	1,394,136
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,394,136	1,394,136
Social and sports fund contribution	-	-	(34,853)	(34,853)
Transfers to legal reserve	-	20,580	(20,580)	-
Transaction with owners in their capacity as owners:				
Dividends declared	-	-	(879,422)	(879,422)
Balance at 31 December 2018	12,563,175	57,600	2,443,892	15,064,667
Balance at 1 January 2019	**12,563,175**	**57,600**	**2,443,892**	**15,064,667**
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	**-**	**-**	**1,191,508**	**1,191,508**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**1,191,508**	**1,191,508**
Social fund contribution	**-**	**-**	**(29,788)**	**(29,788)**
De-recognition of dividend equivalisation reserve	**-**	**-**	**34,166**	**34,166**
Transfer to legal reserve	**-**	**4,334**	**(4,334)**	**-**
Transaction with owners in their capacity as owners:				
Dividends declared	**-**	**-**	**(1,005,054)**	**(1,005,054)**
Balance at 31 December 2019	**12,563,175**	**61,934**	**2,628,857**	**15,253,966**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(All amounts expressed in thousands Qatari Riyals unless otherwise stated)

	2019	2018
Cash flows from operating activities		
Net profit for the year	**1,191,508**	1,394,136
Adjustments for:		
- Other income	**(201,851)**	(169,316)
- Interest income	**(59,592)**	(51,120)
- Share of results from joint ventures	**(946,319)**	(1,188,347)
	(16,254)	(14,647)
Working capital changes:		
- Prepayments and other debit balances	**2**	-
- Due to a related party	**(1,554)**	538
- Trade and other payables	**2,324**	(214)
Cash used in operations	**(15,482)**	(14,323)
Interest received	**83,532**	31,920
Other income received	**-**	190,269
Social and sports fund contribution paid	**(34,853)**	(27,206)
Net cash generated from operating activities	**33,197**	180,660
Cash flows from investing activities		
Dividends received from joint ventures	**772,948**	1,189,173
Placement of fixed term deposits	**(1,043,181)**	(2,907,963)
Maturity of fixed term deposits	**1,820,816**	2,543,730
Net cash generated from investing activities	**1,550,583**	824,940
Cash flows from financing activities		
Dividends paid to shareholders	**(955,702)**	(855,122)
Movement in unclaimed dividends account	**(49,352)**	(24,300)
Cash used in financing activities	**(1,005,054)**	(879,422)
Net increase in cash and cash equivalents	**578,726**	126,178
Cash and cash equivalents at beginning of year	**176,417**	50,239
Cash and cash equivalents at end of year	**755,143**	176,417

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

CORPORATE GOVERNANCE REPORT 2019

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 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 65.46% 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 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 independently developed a Corporate Governance Framework in line with the specific nature of its incorporation. The Framework was approved by the Board on 25/11/2015.

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 implementation whenever required. The Board is also committed to updating the Company's Code of Ethics 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 brought its official documents into 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 existing 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 (contrary to Article no. 5 of QFMA Governance Code) 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 65.46% 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 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 dated 07/03/2018, MPHC Board of Directors was reconstituted in accordance with Article no. 22 of the Company's Articles of Association (contrary to the provisions of Article no. 6 of QFMA Governance Code). Accordingly, seven (7) Directors were appointed by Qatar Petroleum with effect from 07/03/2018. According to the definition of the independent Director in QFMA Governance Code, the current Board of Directors does not include independent directors 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 under 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 had the 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 its decisions on Board formation 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 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 under 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 roles they may have in any of the Board Committees. 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 provides the strategic direction to MPHC by reviewing the Company's vision and mission, 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 effective Executive Management is in place and in succession, and that it achieves MPHC's goals and objectives to increase value in a profitable and sustainable manner.

The Board of Directors oversees the overall corporate governance of MPHC, monitors its effectiveness and amends it as needed. It also reviews the Company's policies and procedures to ensure compliance with the relevant laws, regulations and the Company's 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 diligence 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

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 31-1 of the amended Articles, the Board has met for the required number of times in 2019.

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 31-1 of the amended Articles, the Board has met for the required number of times in 2019.

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 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 set forth in detail in the Corporate Governance Framework Board of Directors Job Descriptions. These roles and responsibilities fit 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 11 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

In implementing governance, the Board of Directors established Board Committees and some Special Committees and delegated to these committees 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 formed 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 presently comprises of 3 members, chaired by a Board Director, all of whom have the required experience necessary to effectively perform their duties and exercise the functions of 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 65.46%). 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.

BAC Terms of Reference, which form part of the Corporate Governance Framework, were prepared in line with QFMA Governance Code and the industry–standard best governance practices. Committee responsibilities include financial aspects, external and internal audits, internal controls, compliance, risk management and all other aspects 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, semi-annual and annual financial statements, as well as internal and external audit reports, internal control system and risk management.

Committee meeting agendas for 2019 included:

1. Approve the external auditor's report on the consolidated and standalone financial statements for the financial year ended December 31, 2018.
2. Review and endorse the consolidated and standalone financial statements for the financial year ended December 31, 2018.
3. Endorse the appointment of the external auditor for the financial year ending December 31, 2019.
4. Approve the scope of the additional work of the external auditor and their fees based on the tasks assigned by Qatar Financial Markets Authority to the external auditor.
5. Review some accounting policies and procedures for some of the group companies.
6. Endorse 2018 Corporate Governance Report.
7. 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.
8. Review and endorse the consolidated financial statements for the financial period ended March 31, 2019 and present the executive summary report.
9. Review and endorse the consolidated financial statements for the financial period ended June 30, 2019.
10. Review and endorse the consolidated financial statements for the financial period ended September 30, 2019 and present the executive summary report.
11. Review the amended Manual of Authority and make relevant recommendations to the Board.
12. Review internal audit activities, status of the audit plan and related corrective actions.
13. Review application of COSO requirements /ICoFR test of design.
14. 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 a year. During 2019, Committee met 5 times (contrary to the provisions of Article no. 19 of QFMA Code).

The BAC presently comprises of three Board Directors. The members of the BAC are:

Name of BAC member	Role
Mr. Abdulrahman Ahmad Al-Shaibi	Chairman
Mr. Abdulaziz Jassim Al-Muftah	Member
Mr. Mohammed Essa Al-Mannai	Member

3-9-2 REMUNERATION COMMITTEE

As part of its efforts to comply with the provisions of QFMA Governance Code, the Company established a Remuneration Committee pursuant to Board resolution no. 2 of 2018. The Committee presently comprises of three members, chaired by a Board Director and the other two are members of the Company's Executive Management, all of whom have the required experience to efficiently perform their duties and exercise the function of the Committee. Committee Chairman is not a Chairman of any other Board Committee, and the BAC Chairman cannot be 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.

Committee reports to the Board of Directors on its activities, issues and raises recommendations.

For 2019, Committee meeting agenda covered the following:
1. Review Board of Directors' Remuneration Policy
2. Recommend remuneration for Board Directors for the financial year ended 31 December 2018.

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 has 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 performance-related variable component (remuneration) with a threshold. The main principles of this policy are set forth 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.

The Company follows a mechanism for setting the remuneration of the Board Directors as provided in Article no. 18 of the Governance Code for Companies & Legal Entities listed on the Main Market pursuant to Decision No. (5) of 2016, 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 staffing structure does not include any senior executive positions, and therefore no remuneration amounts were approved for the senior executive management for 2019.

Committee presently comprises of three members. A meeting was held on 13/2/2019 to consider the proposed remuneration of the Board of Directors for the financial year ended 31 December, 2018.

Board recommended that a remuneration of QR 5.900.000 to be given to all directors as approved by the General Assembly held on 12/03/2019. As for Board Committees, no remuneration or allowance is given for membership or attending meetings.

The members of the Committee are:

Name of Committee member	Role
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 that is required to properly carry out their duties and effectively perform the functions of 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 (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 aforementioned reasons that 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 are consistent with 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 2019, the Remuneration Committee will review Board self-assessment and report any observation in this concern to the Board.

During 2019, the Board has performed the tasks and dispensed business decisions within its authorities as provided in 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 consists of establishing 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, Board Audit Committee has decided that the Internal Auditor should conduct a benchmarking study of the components of the Company's current internal control system against the internationally recognized COSO Internal Control – Integrated Framework (2013) with a view to apply it as a benchmark framework. COSO Internal Control – Integrated Framework (2013) consists of inter-related components, which are control environment, risk assessment, control activities, information and communication, 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 on 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.

Further, the benchmark framework will enable the management to establish and maintain an internal control system and for auditors to perform their duties in accordance with Article (24), in particular with regard to the assessment of the appropriateness and effectiveness of the applicable control systems.

Further, 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 has requested the Internal Auditor to evaluate and assess the Company's internal controls over financial reporting as a management support. 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.

The Internal Auditor team completed a risk assessment of business processes based on the MPHC's 2018 standalone financial statements. Risk assessment involved application of "Materiality" on MPHC's 2018 standalone financial statements (considering the qualitative and quantitative factors), based on external auditor input and the best practices 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 conducted 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 Internal Auditor believes that the Company has developed an appropriate internal control framework that meets the requirements of the internal control over financial reporting. Further, Internal Auditor and MPHC Senior Management believes that the developed framework is suitable 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’ rules and regulations on risk management are applied. However, the Board of Directors endeavors to maintain an appropriate risk management framework. Risk management is an integral part of the governance of the Company as expected by shareholders.

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. Upon considering the technical and commercial offers, the Tender Committee makes its recommendations to the relevant officials on selecting the appropriate consultant. A consultant was appointed on 01/01/2018 for three years to provide the Company and its subsidiaries/Joint ventures, as instructed by the Board Audit Committee, with internal audit services as a "service provider".

The Internal Auditor has accordingly completed the risk assessment in 2018 for MPHC and its subsidiaries, developed an audit plan covering 6 audits and 6 quarterly follow-up audits up to 2020. The internal auditor has completed 2 audits and 2 follow-up audits till 2019 and actual results against the plan and follow up on the implementation of the outstanding observations and related corrective management plans are being submitted to the MPHC Board Audit Committee on a quarterly basis.

The Internal Auditor has access to the Company’s activities 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.

In addition the Internal Auditor was requested to carry out ICoFR test of design, COSO Internal Control – Integrated Framework (2013) gap analysis and test of internal controls design and operating effectiveness.

4-2-2 EXTERNAL AUDIT

The Board Audit Committee examines and evaluates offers received from external auditors registered in QFMA external auditors’ list. Thereafter, Committee submits its recommendation to the Board on selecting an external auditor for appointment. Immediately after the Board approves the recommendation, it 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 its 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.

Taking into account the requirements of Article no. 24 of QFMA Governance Code, the scope of the work of the External Auditor covered internal control and performance assessment, particularly with regard to appropriateness and effectiveness of the applicable 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's report for 2019 in this regard will be submitted to QFMA and the Company's management to take the required corrective actions, if any.

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 2018 held on 12/3/2019.

Moreover, the External Auditor, PricewaterhouseCoopers - Qatar, presented their report on key accounting and auditing matters to the Board for the financial year ended 31/12/2018. In addition, the Auditor submitted an independent report on the adequacy of the internal controls over financial reporting and related assessment, in which they noted that the internal controls over financial reporting for the substantial processes were not properly designed in accordance with COSO Framework as at 31/12/2018. The External Auditor also submitted an independent report on the extent to which the Company is complying with its Articles of Association, in which they reported that nothing had come to their attention to cause them to believe that the management assessment of compliance with QFMA requirements did not present fairly, in all material respects, Company's compliance with QFMA Code, relevant legislation and its Articles of Association as at 31/12/2018.

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.

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 the risks of non-compliance.

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.

In this regard, a mechanism was developed to review, monitor and ensure the company's compliance with applicable laws, rules and regulations, and to enhance the Company's self-revision of risk management. The mechanism will be applied in 2020. This mechanism 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.

At subsidiaries level, which is not the subject of the report, each group subsidiary 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 and governance and compliance committees. All of this contributes 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 General Assembly meeting, 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), 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.

During 2019, no violations were committed and no fines or penalties were imposed by a regulator. No legal case was filed by or against the Company.

Disclosure by the Company is made in accordance with specific procedures approved by the 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 regulations.

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 the principles of QFMA Governance Code in terms of disclosing any dealings and transactions 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 transactions with Related Parties are 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 the procedures for conclusion.

Further, the Company developed a policy on Related Party transactions in its Corporate Governance Framework. Such policy takes into account 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.

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 regulations 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 Company’s interests.

Moreover, Directors and employees / service providers understand that all information related to Mesaieed Petrochemical Holding Company, its subsidiaries and customers is confidential and only used for the Company's purposes. Using such information for personal or family purposes or for other benefits 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 ex officio or temporarily in carrying specific duties for the Company. By virtue of his office, the 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 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 in this regard, and to disclose these tradings on a daily basis.

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 to them.

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.

6-2 REGISTER OF SHAREHOLDERS

The register of shareholders is managed in accordance with the rules and procedures of Qatar Stock Exchange. 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 the right investment decision 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) 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) 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.

Company representatives ensure that all information provided to shareholders / investors is of the kind 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 General Assembly of the Company is entitled to attend the General Assembly meeting. Such shareholder shall have one vote for each share held by that shareholder. 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 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 by announcing the agenda for its meeting in the local newspapers and on its own website. It also communicates the agenda to Qatar Stock Exchange for announcement on its website.
- Enables shareholders to directly pose questions to 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 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 2019, the agenda of the Ordinary General Assembly meeting included the following:

1. Chairman’s message for the financial year ended December 31, 2018.
2. Board of Directors’ Report on MPHC’ s operations and financial performance for the financial year ended December 31, 2018, and the future plans of the Company.
3. External Auditor’s Report on MPHC’ s consolidated financial statements for the financial year ended December 31, 2018.

4. Approve MPHC' s financial statements for the financial year ended December 31, 2018.
5. Approve 2018 Corporate Governance Report.
6. Approve the Board's recommendation for a dividend of QR 0.8 per share for the financial year ended December 31, 2018, representing 8% of the nominal value of the share.
7. Absolve the Directors of the Board from liability for the year ended December 31, 2018 and determine their remuneration.
8. Appoint an external auditor for the financial year ending December 31, 2019 and determine their fees.

The following agenda item was discussed at the Extraordinary General Assembly and approved by the company's shareholders:

1. Amend some Articles of the Company's Articles of Association pursuant to QFMA Board decision of its 4th meeting of 2018 held on 16/12/2018 on amending the nominal value of the shares of the companies listed on the main market and the secondary market in Qatar to become one (1) Qatari Riyal.

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 its 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 06/03/2017, pursuant to the resolution of the Extraordinary General Assembly held on 06/03/2018 and without prejudice to the Company's ability to fulfill its obligations towards third parties and pursuant to a resolution of 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, as described in the Company's Corporate Governance Framework, are explained in the attachments to the meeting agenda of the Company's General Assembly.

In general, such policy requires the Company to balance shareholders' expectations with its operational and investment needs by considering the following factors before presenting the proposed dividend distribution 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, 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 all related details to claim dividends.

As for the resolution of Company's General Assembly of 2019 for the financial year ended December 31, 2018, the General Assembly approved the Board's recommendation of a dividend for QR 0.8 per share, representing 8% of the nominal value of the share.

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 capital. Pursuant to Board resolution no. 5 of 2018 issued on 02/04/2018, the maximum ownership of the company's share capital is 2%. Qatar Central Securities Depository (QCSD), the entity charged with managing the register of the Company's shareholders, ensures that this maximum ownership limit is maintained.

Moreover, the Company has convened an Extraordinary General Assembly meeting on 06/03/2018 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 of 31 December, 2019 are as follows:

Shareholder	Percentage of Shares (%)
Qatar Petroleum	%65.46
Qatar Investment Authority	%1.23
Military Pension Fund	%0.40
Pension Fund - General Retirement and Social Insurance Authority	%0.16
Other Shareholders	%32.75
Total	%100

MPHC will continue to rely on QCSD to obtain valid up-to-date record of shareholdings. As per the information obtained from QCSD dated 31 December 2019, 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) 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 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 share with a market value of QR 1.6 billion as at the close of trading in Qatar Stock Exchange on Monday 31 December 2018. In addition, Qatar Petroleum waived any distributions proposed by the Board for the financial year ended 31/12/2018.

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 31/12/2023 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 etc.

b) People: Qatarization programs (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, added value for business partners, customer satisfaction, local procurement, sponsorships etc.

Moreover, a 2.5% of the Company's annual net profit is allocated (pursuant to Law no. 13 of 2008) to support sports, cultural and social activities. For the financial year ended 31/12/2018, an amount of QR 34.85 million was contributed 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 2019 as set out in its Charter and relevant legislation. The Board exercises due diligence and care 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

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 32 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

Mr. Mohamed Salem Al-Marri
Vice Chairman
Non-Executive / Non-Independent Member

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 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 MPHC:
Nil

Mr. Abdulaziz Jassim Al-Muftah
Non-Executive / Non-Independent Member

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:
16562

Mr. Abdulaziz Mohammed Al-Mannai
Non-Executive / Non-Independent Member

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 Muntajat and Qatargas. 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 MPHC:
9800

Mr. Abdulrahman Ahmad Al-Shaibi
Non-Executive / Non-Independent Member

Qualifications and Experience:

Mr. Abdulrahman Ahmad Al-Shaibi obtained B.SC. 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 L 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, Qatar Aluminum Manufacturing Company
Number of shares in MPHC:
171500

Mr. Mohammed Essa Al-Mannai
Non-Executive / Non-Independent Member

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 MPHC:
3264

Mr. Ali Nasser Telfat
Non-Executive / Non-Independent Member

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

*Positions on the Boards of other companies listed on the Qatar Stock Exchange. MPHC Board Directors may also have positions in other entities / companies.