



شركة مسيعيد  
للبتروكيماويات  
القاضة

Mesaieed  
Petrochemical  
Holding Company

# ANNUAL REPORT

# 2022





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للبتروكيماويات  
القبضة

Mesaieed  
Petrochemical  
Holding Company



# Disclaimer

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

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

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

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

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

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**“Despite volatile macroeconomic environment, MPHC delivered a resilient set of results, while operational excellence remained central with an eye on growth”**





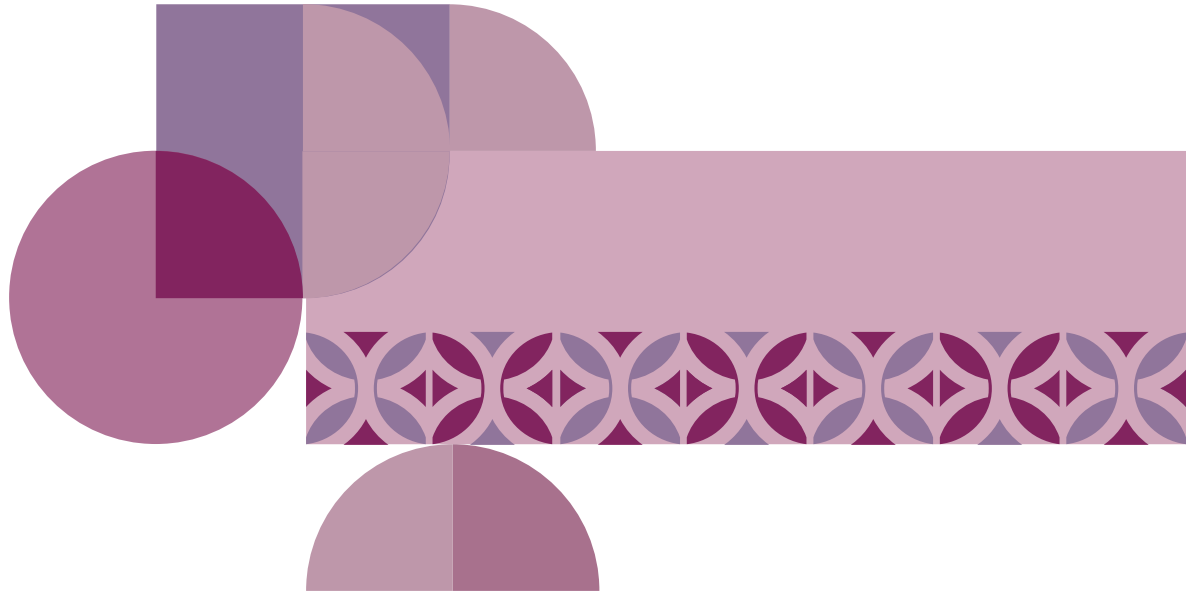
## MISSION

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.



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**2022 Corporate  
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His Highness

**Sheikh Tamim bin Hamad Al Thani**

The Amir of the State of Qatar

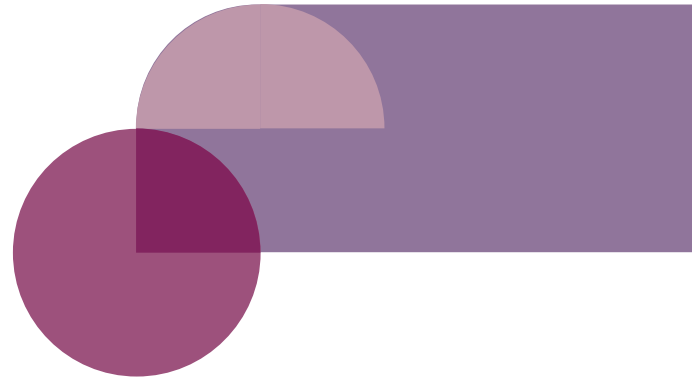




His Highness

**Sheikh Hamad bin Khalifa Al Thani**

The Father Amir



# BOARD OF DIRECTORS





**Mr. Ahmad Saif Al-Sulaiti**

Chairman



**Mr. Mohamed Salem Al-Marri**

Vice Chairman



**Mr. Abdulrahman Ahmad Al-Shaibi**

Board member



**Mr. Abdulaziz Jassim Al-Muftah**

Board member



**Mr. Abdulaziz Mohammed Al-Mannai**

Board member



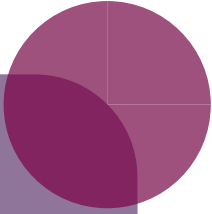
**Mr. Mohammed Essa Al-Mannai**

Board member



**Mr. Ali Nasser Telfat**

Board member



# LETTER FROM THE CHAIRMAN



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**“We continue to demonstrate resilience in a wavered macroeconomic context, as our operational excellence along with sustainable growth powering accretive value creation”**

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**Mr. Ahmad Saif Al-Sulaiti**

Chairman

## **Dear Shareholders,**

It gives me immense pleasure to present the Annual Report of Mesaieed Petrochemical Holding Company Q.P.S.C. (MPHC or the Group) for the year ended 31 December 2022, one of our region's premier diversified petrochemical conglomerates.

I thank and congratulate my fellow Board members and senior management of the Group companies for their dedication, hard work and commitment in delivering a commendable performance. Especially, I would also like to thank our shareholders for their continuous trust and support.

### **Macroeconomic environment**

2022 was marked by volatilities where high energy prices drove record inflation and impacted demand for commodities. Lockdowns in China pressured both consumer spending and infrastructure investments. Also, geopolitical tensions continue to weigh on commodity markets at a global scale.

# Letter from the Chairman

(Continued)

## 2022 strategic realizations

While macroeconomic sentiments remained wavered, MPHC focused on operational excellence and sustainable growth. Operational excellence was mainly driven by constant optimization focus of our processes, while improving our plant reliability and asset integrity.

On the sustainability front, we continue to reduce our environmental footprints, while building our operations with a focus on energy efficiency and conservation pillars.

Striving for sustainable growth, MPHC gave the go-ahead to the Qatar Vinyl Company (QVC) to construct a Polyvinyl Chloride (PVC) facility with a production capacity of 350,000 metric tons of PVC. The project is value accretive to MPHC and the national industrial sector. MPHC will be funding the construction of the new PVC plant equivalent to its shareholding in QVC. Being the first PVC plant in the State of Qatar, this project aims to position Qatar as a new regional player in PVC production, while reinforcing the downstream value chain.

Going forward, we will remain focused on our core strengths – operational excellence, HSE, sustainable growth – we will work towards strengthening our market position, while relentlessly enhancing long-term shareholder value.

## Financial performance

MPHC's financial performance for the financial year 2022 remained formidable, carried forward from record results reported in 2021. Comparatively lower price trajectories along with higher operating cost weighed on current year results, partially offset by slightly better sales volumes.

MPHC reported a net profit of QR 1.8 billion for the year ended 31 December 2022, down by 5%, compared to last year and recorded an earnings per share (EPS) of QR 0.141 for the year ended 31 December 2022, as compared to QR 0.148 for the last year.

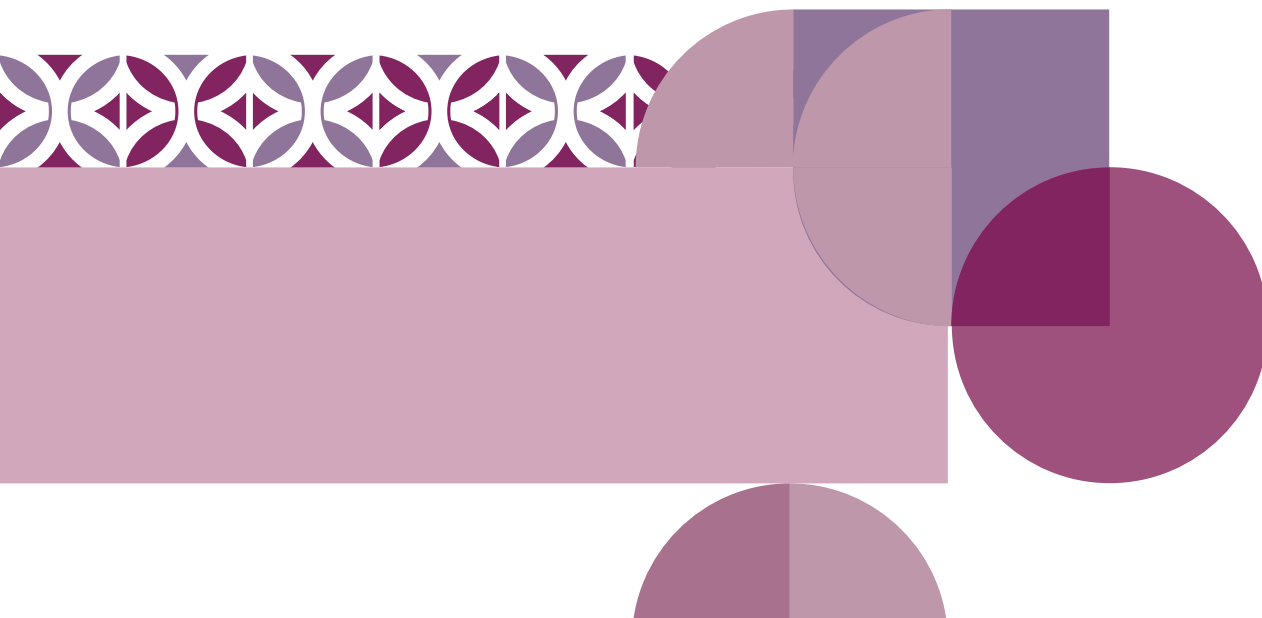
## Creating shareholder value

Given the current short- to medium-term market outlook, coupled with our CAPEX and the new PVC expansion program planned for the upcoming years. The Board of Directors proposes to pay a total annual dividend distribution for the year ended 31 December 2022 of QR 1.38 billion, equivalent to a payout of QR 0.11 per share, representing a payout ratio of 78% of net earnings.

## Conclusion

On behalf of the Board of Directors, I express my deep gratitude to His Highness the Amir, Sheikh Tamim Bin Hamad Al-Thani, for his inspired leadership and unwavering efforts to support, guide and promote Qatar's energy 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 Qatar National Vision.

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





# BOARD OF DIRECTORS' REVIEW





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## **“A resilient set of financial results despite macro-volatilities, while operational excellence and sustainable value creation remained core for future”**

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The Board of Directors is pleased to present its annual review of the financial and operational performance of MPHC for the year ended 31 December 2022.

### **Our strategy**

MPHC's base case business strategy focuses on market development through productivity and efficiency gains enabled via output optimization, HSE and operational excellence programs. Additionally, on the capital allocation front, MPHC's joint ventures aim to invest in growth projects with an eye on enhancing competitive positioning and creating long-term sustainable value.

### **Macroeconomic conditions**

Macroeconomic climate remained wavered throughout the year, marked by geopolitical conflicts and recessionary fears linked to inflationary pressures and a higher interest rate environment. Unprecedentedly high energy prices in Europe persistently weighed on European producers. Also, China's strict zero-Covid policy has added stress to the commodity markets.

Overall, commodity prices declined from the peaks reached during the latter part of last year, especially within the petrochemicals segment, mainly due to a cautious approach from buyers.

### **Competitive strengths**

All the joint ventures (JV) of MPHC are strategically placed with competitively priced and assured feedstock supplies, a solid liquidity position with an ability to generate strong cash flows. Key relationships with reputable and globally recognized joint venture (JV) partners is providing MPHC with a competitive edge over its peers.

## Board of Directors' Review

(Continued)

In addition, the JVs' partnership with Muntajat, a global leader in the marketing and distribution of chemical products, gives greater access to global markets, especially providing relentless support in steering the Group entities through the supply chain crunch situation that global markets recently endured.

These competitive strengths aided MPHC in ensuring operational excellence, while building on geographical footprints, with a robust cash position over the years. Going forward, all the JVs of MPHC will continue to explore already advanced cutting-edge technology to further shape MPHC's positioning not only at the regional level, but also at the global scale.

### HSE achievements

During the current year, Health, Safety and Environment (HSE) performance for all the MPHC's JVs was again exemplary, reflecting a critical part of MPHC's core values. In 2022, JVs' key HSE achievements included receiving certification to multiple international standards; further improving process safety; and completing a period of 15 consecutive year without a single recordable incident of heat stress illness at several facilities.

As we advance, we will continue to pursue excellence and greater efficiencies in these key areas enhancing our existing HSE standards in line with global values, with a resolve to enhance product quality, while enriching our people, and ensuring reliability of operations.

### Cost efficiencies and output optimization: Towards operational excellence

MPHC emphasizes on operational efficiency and cost competitiveness to maintain its position as a leading low-cost operator. All the MPHC group entities are continually working towards an unwavering target of reducing operating expenditures across its businesses and looking forward in identifying opportunities to curtail expenses which are not critical to the business.

During the optimization exercise carried out during the peak Covid times, the MPHC group companies reviewed their operating and capital expenditure programs to optimize OPEX & CAPEX structures without compromising on HSE standards and ensuring that it remained buoyant.

Such optimization-related measures improved Group's variable and fixed operating cost structures, as we entered a post-pandemic recovery phase, and supported a key vertical of maintaining entities' competitiveness by being one of the lowest cost producers.

On an overall basis, Group's production levels showed slight growth, with a lesser number of shutdowns carried out during the year. The production was also slightly impacted by unplanned shutdowns, where these shutdowns were promptly addressed and provided valuable information

to avert future shutdowns and maximize efficiency. Also, a large-scale turnaround was carried out at Q-Chem's facilities during the year. These periodic turnarounds are mandatory to ensure plant life, asset reliability and safety of operations going forward.

Continuous efforts on account of quality improvement remained eminent to the group companies. During the year, one of our petrochemical joint ventures, Q-Chem, received CPChem President's Operational Excellence Award for Large Petrochemical Manufacturing Facilities. This was the fourth consecutive year Q-Chem has received this award.

### **Capital expenditure (CAPEX) and business development**

Capital expenditure for 2022 amounted to QR 328 million (MPHC share). The primary nature of these capital expenditures was mainly related to turnaround, reliability, health, safety and environmental (HSE) projects, along with initial spending on the new PVC project amounting to QR 18 million.

In line with an intent to expand locally and invest further down the value chain, during the year, MPHC's joint venture Qatar Vinyl Company (QVC) signed and awarded an Engineering, Procurement, Construction (EPC) contract valued at USD 239 million to invest in a new PVC (Polyvinyl Chloride) facility that will have a production capacity of 350,000 metric tons per annum. QVC will convert its existing VCM (Vinyl Chloride Monomer) to PVC. The plant will not only boost private sector industrial investments, but also provide a home-grown source of PVC and expands the economic potential of local industries. MPHC will be funding the construction of the new PVC plant equivalent to its percentage of shareholding in QVC (i.e. 55.2%) and will continue to remain the largest shareholder in QVC, following the expiry of the current joint venture agreement (JVA).

In 2019, Q-Chem shareholders agreed to support expanding JV's ethylene production facilities at Mesaieed Industrial City. The Sixth Furnace project will provide sustainable ethylene volumes supporting Q-Chem's existing derivatives production capacity. This investment is predicated on positive capital returns at an estimated cost of USD 94.6 million. Currently, the project is in the commissioning phase and is expected to be operational by the first quarter of 2023, with a total spend to date of USD 89.7 million.

Going forward, the Group will continue to consider CAPEX investments to enhance capacity, reliability, efficiency and HSE performance, including MPHC's share in the new PVC project funding, with a total budgeted outlay of QR 1.8 billion (MPHC share) over a period of five years from 2023 till 2027.

# Board of Directors' Review

(Continued)

## Financial performance

MPHC reported a net profit of QR 1.8 billion for the year ended 31 December 2022, down by 5% compared to last year. The decline was largely attributed to softened price trajectories realized for MPHC's products, which affected Group's financial performance.

Operations for MPHC's group companies remained robust and resilient, with yearly production reaching 1,139 thousand MTs. Production volumes for the current year remained flat as compared to last year, mainly due to a large-scale turnaround carried out at Q-Chem's facilities during the early parts of 2022 was entirely offset by the lowered production volumes during the last year due to a planned preventive maintenance shutdown carried out at the chlor-alkali facilities.

At the Group level, the blended selling prices decreased by 2% during 2022, contributing to a decline in Group's net earnings by QR 40 million, compared to last year. Group sales volumes on the other hand inclined by 2% on a year-on-year basis and contributed to an increase of QR 53 million in Group's earnings.

Group's liquidity remained robust throughout the year. Cash held by MPHC (including proportionate share of cash and bank balances held by joint ventures) at the end of the financial year 2022 amounted to QR 4.5 billion, with total assets of QR 17.8 billion as at 31 December 2022.

## Proposed dividend distribution

Since incorporation of MPHC in 2013, a total dividend of QR 8.2 billion has been distributed. This is clear evidence of the Board's commitment to create shareholder value, while maintaining necessary liquidity for future CAPEX investments and any unexpected adversities.

Given these considerations, coupled with a macroeconomic forecast weighing on business outlook, the Board of Directors proposes a total annual dividend distribution for the year ended 31 December 2022 of QR 1.38 billion, equivalent to a payout of QR 0.11 per share, representing a payout ratio of 78% of net earnings. This indicates the Group's ability to generate strong cash flows while ensuring adequate cash is preserved for future precautionary and investing needs.

## Conclusion

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



# BOARD OF DIRECTORS' SEGMENTS REVIEW

## Petrochemicals

### Strategy and key achievements

The producing entities within the segment continue to execute their goal of being safe, reliable, and responsible operators in line with their collective strategy. A strategy focused on maximizing shareholder return through business excellence and growth, while ensuring sustainability of operating entities. This is enabled by a well-trained and skilled workforce that continues to prioritize the development of Qatari employees in all facets of the business.

During 2022, the Q-Chem achieved a key strategic initiative while entering into the commissioning phase of an additional furnace in the Mesaieed - The sixth furnace project. The new furnace would not only provide sustainability to Q-Chem's overall production volumes but also ensure operational flexibility by enhancing the segment's efficiency and safety standards.

In addition, during the year, the segment continued its history of executing world-class turnarounds. Q-Chem completed the largest turnaround in the entity's history, measured by workforce and cost. The turnaround costed approximately USD 99.4 million, utilized 79 contractors to support about 3.1 million manhours. The turnaround was completed on time, with zero feed rejection, under budget, and with zero personal safety, process safety or environmental events.

The segment's commitment to operational excellence continues to be recognized by its shareholders. Q-Chem was again awarded the 'Chevron Phillips President's Operational Excellence Award' for large petrochemical manufacturing facilities. The award recognizes Q-Chem's exceptional performance in personal safety, process safety, environmental, product stewardship, reliability, and security. This represents the fourth consecutive year Q-Chem has received this award.



### Macroeconomic updates

The global petrochemicals market remained uncertain, mostly during 2022, where demand for most of the products slightly inched downward, generally due to slowdown in global GDP growth. Also, higher inflation and a hawkish interest rate environment with a stronger US dollar, alluding to buyers' cautious approach. On the other hand, the supply-side was affected by the Russia-Ukraine conflict enforcing a sharp rise in energy prices and challenging plant economics, especially for the European producers.

### HSE achievements

The segment continues to prioritize its commitment to the health and safety of its employees and contractors and to its environmental responsibilities to the communities in which it operates. This commitment was demonstrated again in 2022 with some notable performance statistics as follows:

- Zero Tier 1 and Tier 2 process safety events in 2022;
- Zero Company responsible Environmental events in 2022
- Successfully completed 1,684+ days without a Tier 1 or Tier 2 process safety event;
- 15 consecutive years without a heat related recordable incident;
- Q-Chem Turnaround completed with zero recordable injuries with 3.1 million manhours.

## Board of Directors' Segments Review

(Continued)



The segment has completed four consecutive turnarounds at its Mesaieed location without a recordable injury. This represents approximately 9.6 million manhours safely executed without injury.

In 2022, the segment introduced the first compressed natural gas (CNG) fueled buses to its transportation fleet. These low-emission, clean-fuel buses are part of the segment's overall sustainability strategy and the State of Qatar's environmental goals.

The segment has moved to enhance its existing sustainability program to reflect the importance of organizational sustainability. Specifically, the segment has created the position of 'Sustainability Program Manager' to oversee a recently assembled task force of subject matter experts tasked with identifying, developing, and overseeing initiatives intended to increase environmental sustainability. These newly dedicated resources, combined with the segment's legacy sustainability efforts, will ensure success in meeting operational excellence goals, reasonable economic growth and preserving the environment.



## Achieving cost efficiencies

The producing entities within the segment remained committed to a cost-efficient operating model that balances cost prudence with the need to maintain assets to ensure their safe and reliable operation.

A cornerstone for entities' efficiency efforts was their Operational Performance Excellence (OPE) initiative. OPE is an element of the segment's Strategy Department established to identify, develop, and implement opportunities to increase overall operational and economic efficiency. Working with process owners and utilizing both internal and external resources, OPE seeks to execute initiatives intended to, among other things, reduce cost, increase productivity, and improve reliability. Recently, OPE has begun a project to partner with a globally recognized advisory firm to transform the segment's contracting and procurement activities. Through the combination of improved processes, alternative procurement methods and training to strengthen competencies, the project seeks to improve capital efficiency through lower cost and lower inventory.

The entities are also actively engaged in a benchmarking effort that will provide insight into their cost structures relative to their peers. In addition, the benchmarking exercise will provide further information regarding areas of opportunity for the entities' future efficiency efforts. Going forward, the producing entities within the petrochemicals segment are committed to maintain a highly competitive cost structure relative to its peers.

## Output optimization

Q-Chem and Q-Chem II set various production records during 2022 resulting from an efficient operations:

- Normal Alpha Olefins (Q-Chem II) - Annual production record
- 1-Hexene (Q-Chem) - Daily & Monthly Production Record
- PE Train 3 (Q-Chem II) - Daily Production Record
- PE Train 3 (Q-Chem II) - Lowest off speck generation - Annual production

In 2022, Q-Chem continued its best-in-class quality performance in areas of off-spec polyethylene production.

## Financial performance

The segment reported a net profit of QR 1.2 billion for the current year, down by 13% versus last year. This decline in profitability was primarily driven by lowered segmental revenue, which declined by 6% on a year-on-year basis.

Sales volumes decreased by 6%, compared to last year, as the segment carried out a large-scale turnaround at Q-Chem facilities during the first quarter of 2022, which affected segment's production volumes. Production volumes decreased by 7% versus last year.

Product prices remained flattish and partially offset the negative impacts of lowered sales volumes to an extent. Current year realized selling prices remained affected throughout the year by overall macro-volatilities which weighed on price trajectories for most of the commodities.

# Board of Directors' Segments Review

(Continued)

## CAPEX updates

During 2022, the segmental CAPEX incurred amounted to QR 249 million. Q-Chem's turnaround accounted for approximately 55% of the current year's CAPEX, with two additional projects accounting for most of the remaining spending. These projects include the Q-Chem 6<sup>th</sup> Furnace project and the Q-Chem dock jetty enhancement.

The sixth furnace project is currently in the commissioning phase and ensures sustainable production volumes while ensuring a more consistent consumption of allocated ethane volumes. The project is progressing as planned, and the furnace will be operational during the first quarter of 2023. The total cost incurred till date on the project amounted to QR 89.7 million.

The dock jetty enhancement project is a combination of restoration and enhancement programs. The project is a critical element of infrastructure currently available and would support the segment for the foreseeable future.

In terms of capital expenditure over the next five years (2023-27), the segment is expected to spend QR 1.1 billion on various projects, including turnarounds and dock jetty enhancement projects. Other projects will include, but not be limited to, operations (HSE, plant reliability, and integrity) and maintenance shutdowns. These projects will improve facilities' operational integrity, reliability & output, and reduce emissions while ensuring regulatory compliance, and will lead to improved operating cash flows via added efficiencies.

## Chlor-Alkali

### Strategy

Chlor-Alkali segment's business strategy has been built on key pillars of enhanced achievements of production targets, reductions in controllable costs, improved product development & innovation, coupled with better employee engagement and satisfaction.

### Macroeconomic updates

The macroeconomic environment remained uneven throughout 2022. Several factors impacted the macro context, including geopolitical conflicts, inflationary pressures, and Chinese zero-Covid lockdowns. These macro-trends brought wider than expected supply-demand imbalances across most of the downstream commodities and led to volatile price trajectories.

During 2022, prices for most of MPHC's basket of chlor-alkali products demonstrated essentially balanced to bearish trends due to macroeconomic volatilities.

### HSE achievements

The segment focused on enhancing existing HSE standards, while pursuing global standards that lead to operational excellence. The health and safety of workers remained a key priority for the segment's efforts during the year, as steps were taken to improve the level of process safety and awareness. During the year, the segment efficiently acted on process safety projects, namely SALAMAH.

### Achieving cost efficiencies

Efficiency and cost competitiveness are prerequisites for the segment to retain its position as a low-cost, efficient operator. During 2022, the segment continued to look for opportunities to contain costs, while ensuring optimal production levels without compromising on quality or safety. In this regard, a number of special studies are under consideration, such as energy optimization and flare reduction, focusing on controlling cost and ensuring output optimization.

# Board of Directors' Segments Review

(Continued)

## Output optimization

In terms of output optimization, the segment sought to achieve optimal production levels without compromising quality and safety standards. The planned maintenance shutdown for QVC facilities during 2022 was completed on schedule and was in line with the Group's commitment to enhance the health and safety standards, plant life, asset quality and reliability.

## Financial performance updates

The chlor-alkali segment reported a net profit of QR 504 million for 2022, which increased by 6% compared to last year. This notable growth was primarily driven by an improvement in sales volumes which increased by 16%, as last year's sales volumes were affected by a large-scale turnaround carried out at QVC facilities during the fourth quarter of 2021. On similar lines with better plant operating rates, production volumes increased by 14% on a year-on-year basis. On the hand, average realized selling remained flat versus last year, as end-product industries (alumina/ aluminium, PVC, etc) remained under pressure due to macro-volatilities. On overall basis segmental revenue increased by 15% to reach QR 1.2 billion, amid improved sales volumes with average realized selling prices remaining unchanged.

## CAPEX updates

Capital expenditure for the current year amounted to QR 79 million, primarily related to maintenance-related expenditures, routine fixed asset additions, and HSE improvements. This also includes MPHC's share of capital expenditure on the new PVC project amounting to QR 18 million.

In terms of capital expenditure over the next five years (2023-2027), the segment is expected to spend QR 709 million on various projects. As per the CAPEX plan, QR 543 million will be spent in relation to the new PVC project in the form of CAPEX. Other projects will include, but not be limited to, ongoing power plant upgrade. In the long run, these projects will improve plant reliability and ensure reduced emissions.

### Updates on new PVC project

During the year, an Engineering, Procurement and Construction (EPC) contract was awarded for a new Polyvinyl Chloride (PVC) plant by Qatar Vinyl Company (QVC), with a total estimated project value of USD 279 million, which includes owner-cost and other contingency costs in addition to the EPC contract value of USD 239 million. The new PVC plant's construction is expected to be completed by mid-2025. The plant targets a nameplate capacity of 350,000 metric tons per annum of Suspension PVC (S-PVC).

The new plant will be integrated with the existing QVC facilities located at Mesaieed Industrial City and will source feedstock (i.e., Vinyl Chloride Monomer (VCM)) from the existing facilities. The new plant will further maximize synergies on account of efficient water & power usage; existing supply chain capabilities while assuring sustainable operations.

Being the first PVC plant in the State of Qatar, the project aims to position Qatar as a new regional player in PVC production, while reinforcing the downstream value chain. The plant will not only boost private sector industrial investments, but also provides a home-grown source of PVC and expands the economic potential of local industries.

The new PVC plant aims to meet the growing demand in the PVC-consuming industries, such as the construction industry. PVC produced at the new plant is expected to meet the domestic market demand and provide opportunities to export internationally. PVC as a product, can be handled, stored & shipped safely and seamlessly; and could be coupled with other similar products produced in Qatar to provide opportunities for optimized logistical cost structures.

Based on the 'Principles Agreement' signed by MPHC with all the concerned parties, MPHC will be funding the construction of a new PVC plant equivalent to its stake in QVC, i.e. 55.2%, and later would continue to own the same stake in QVC (i.e. 55.2%) and being the largest shareholder following the expiry of the current joint venture agreement (JVA).

# MPHC GROUP AT A GLANCE

## Overview

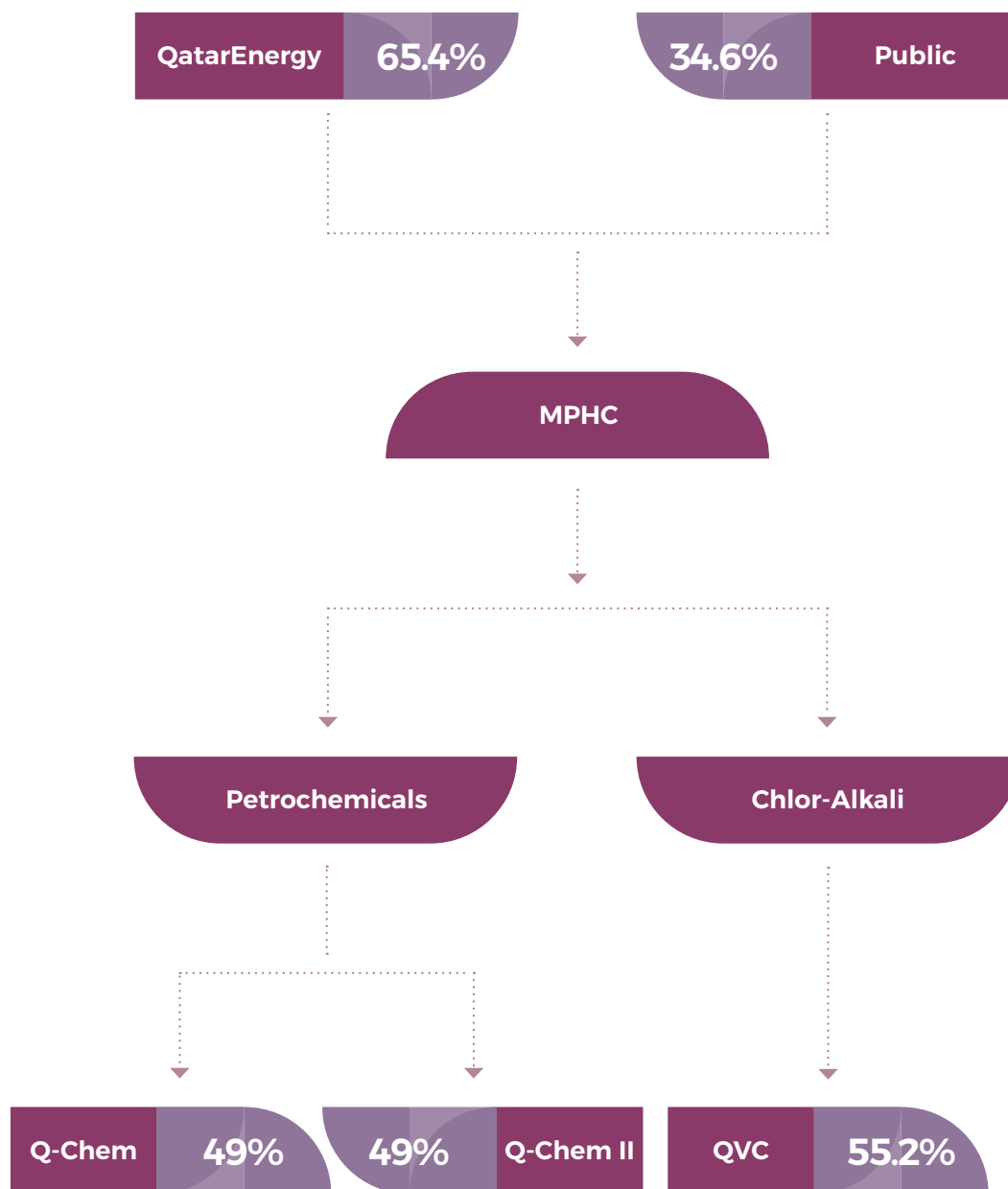
Mesaieed Petrochemical Holding Company Q.P.S.C. (MPHC or the Group) was incorporated as a Qatari joint stock company on May 29, 2013. The Group's registered office is P.O. Box 3212, Doha, State of Qatar. Through the Group companies, MPHC operates in two distinct segments: Petrochemicals and Chlor-Alkali.

### Head office functions and management structure

QatarEnergy, 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



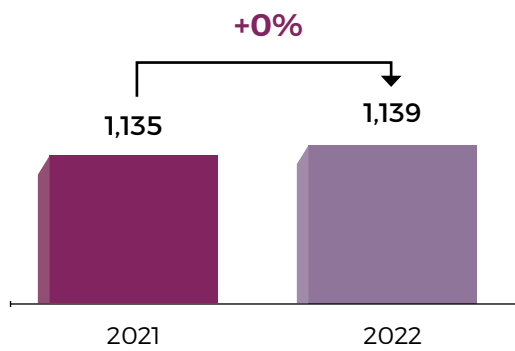
Note: As per the prospectus and its conditions issued at the time of MPHC's IPO, QatarEnergy has committed that each Individual Investor, being a Qatari national individual who subscribes in the Offering, will receive, for each IPO share allocated to him or her in the Offering, the conditional right to receive an Incentive Share free of charge. Incentive Shares are ordinary Shares of the Company which rank *pari passu* with the Offer Shares in all respects. However, the right to receive Incentive Shares is conditional. Incentive Shares will be awarded on the dates falling 5 years and 10 years after the date of the Offering (the "First Award Date" and the "Second Award Date", respectively) to Individual Investors who have retained at all times at least 50% of their Offer Shares by such Award Date. 50% of the Incentive Shares have been awarded to qualifying Shareholders on the First Award Date (After trading hours) on 31 December 2018), with the remaining 50% of the Incentive Shares will be awarded to qualifying Shareholders on the Second Award Date (After trading hours) on 31 December 2023). For example, an Individual Investor who subscribes for 500 Offer Shares in the Offering and retains at all times at least 50% of such Offer Shares (i.e. 250 IPO Shares) for 5 years after the Offering, will receive, free of charge, 250 Incentive Shares on the First Award Date. If such Individual Investor retains at all times at least 50% of his or her original Offer Shares (i.e. 250 offer shares) for a further 5 years, he or she will receive an additional 250 Incentive Shares on the Second Award Date. Please refer to IPO prospectus for full details.

# MPHC Group at a Glance

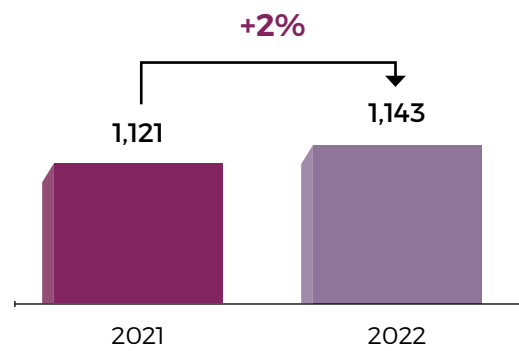
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## MPHC 2022 performance

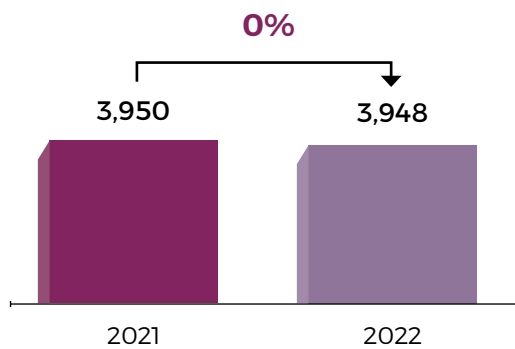
**Production (MT' 000)**



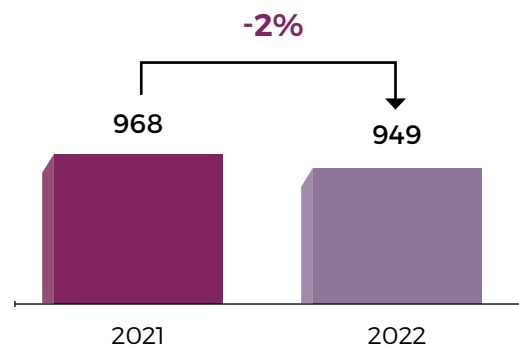
**Sales Volumes (MT' 000)**



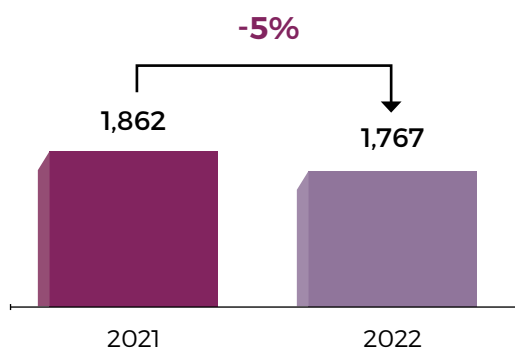
**Revenue (QR' million)**



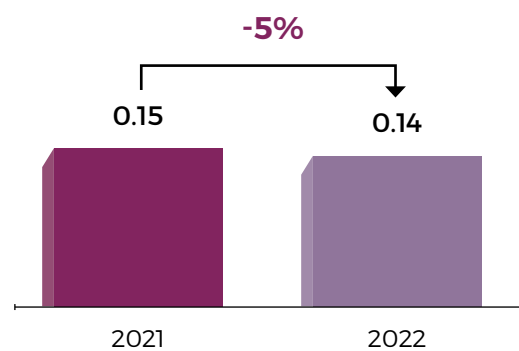
**Selling prices (\$/MT)**



**MPHC's Net Profit (QR' million)**

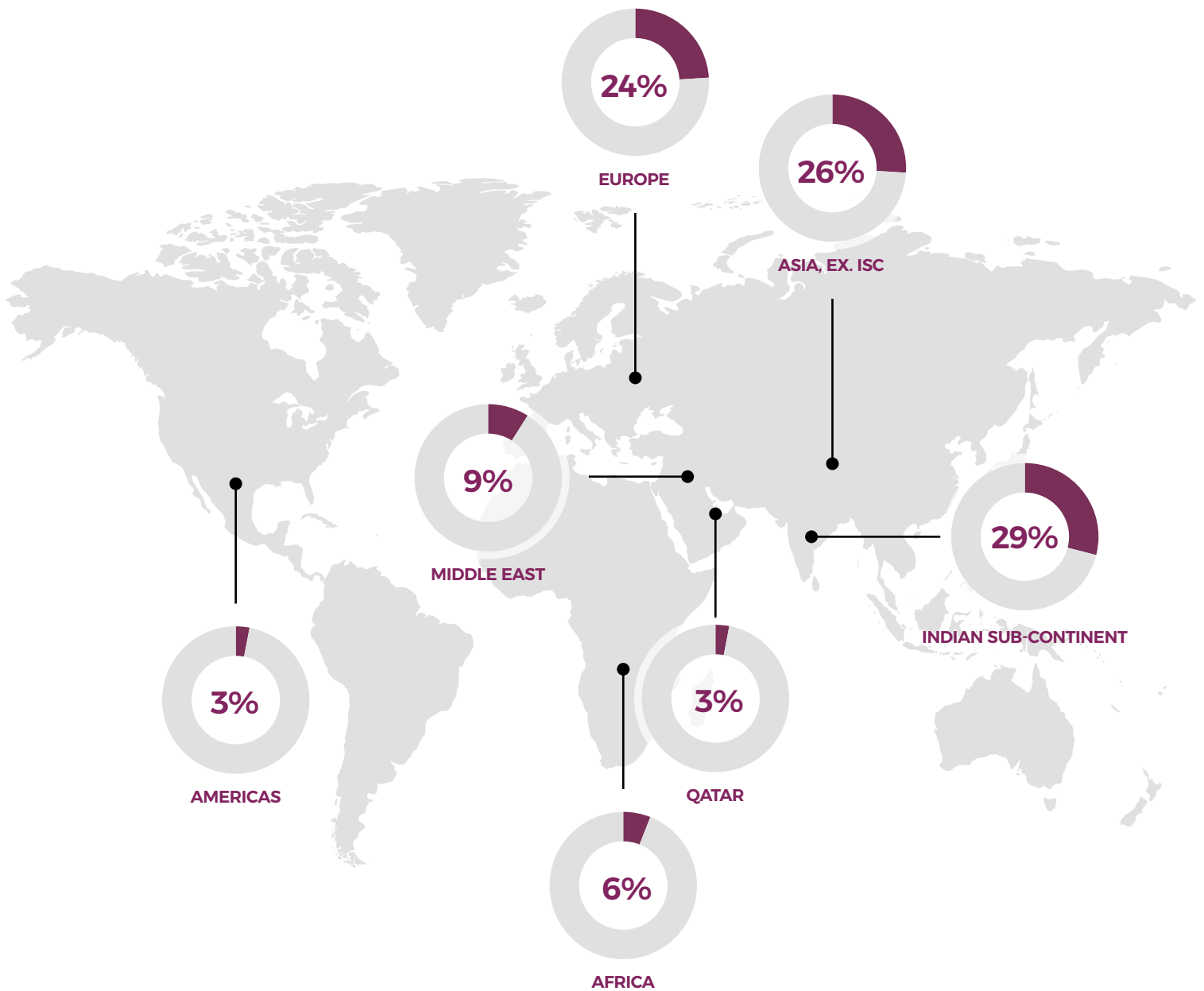


**Earnings per share (QR)**





## Revenue by geography (%)



# MPHC BUSINESS SEGMENTS AT A GLANCE



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

## Petrochemicals

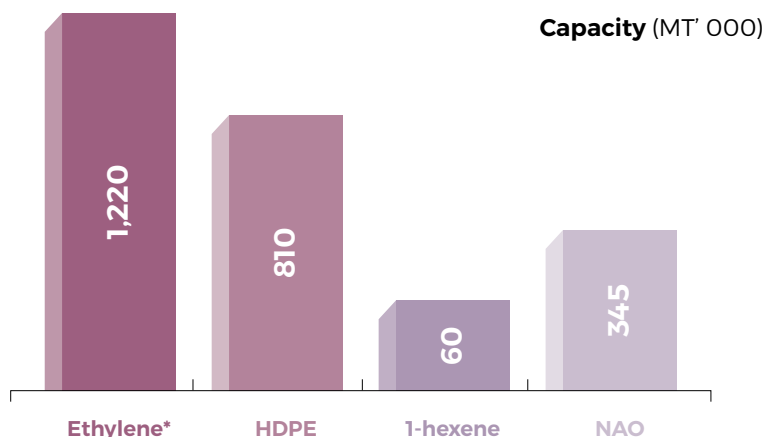
### Segment overview

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

Q-Chem, incorporated as a joint venture in 1998, is currently owned by MPHC (49%), Chevron Phillips Chemical International Qatar Holdings (CPCIQH, 49%) and QatarEnergy (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 QatarEnergy (2%). Q-Chem II is engaged in the production of polyolefins (specifically HDPE), a full range of normal alpha olefins (NAO).

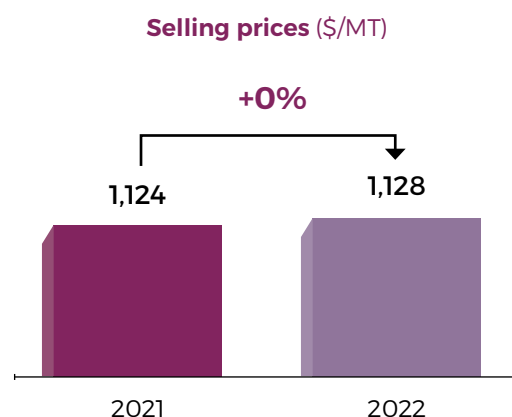
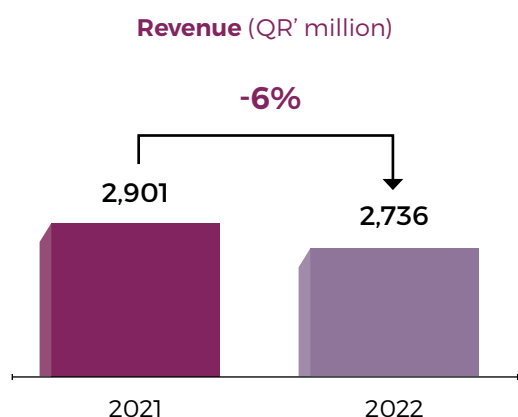
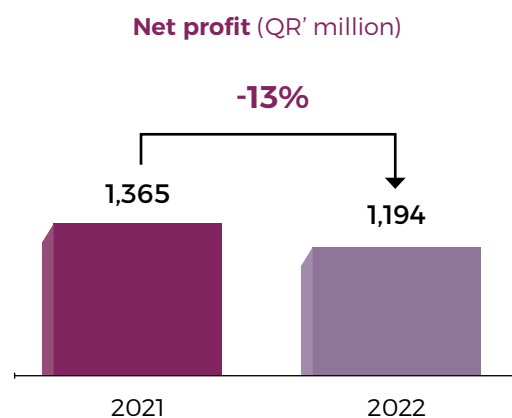
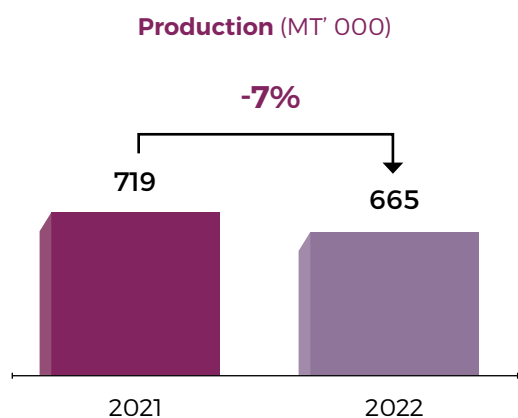
Q-Chem's and Q-Chem II's normalized design production capacities of key products is as follows:



\*Consumed as a feedstock for the finished products.

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

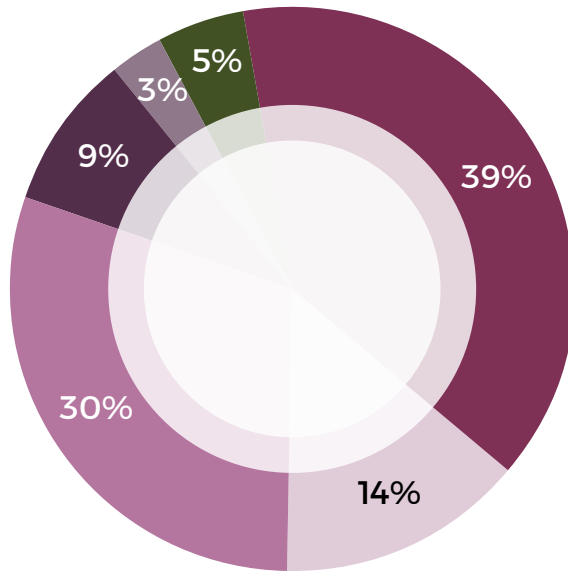
## 2022 Petrochemicals performance



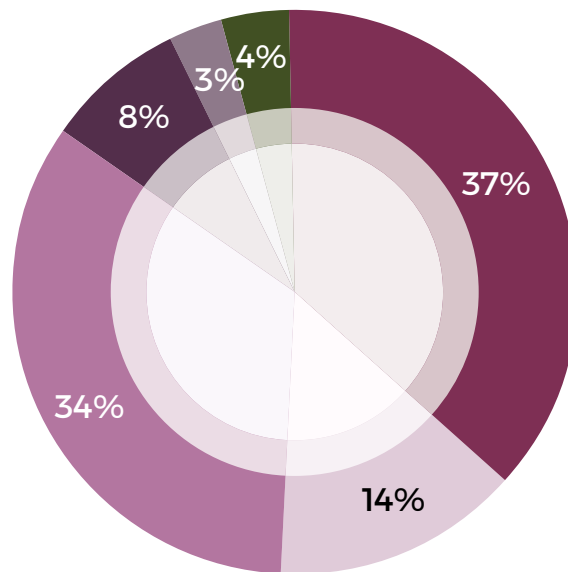
# MPHC Business Segments at a Glance

(Continued)

## 2021 segment revenue (%)



## 2022 segment revenue (%)



- Asia
- Europe
- Middle East
- Indian sub-continent
- Africa
- Qatar

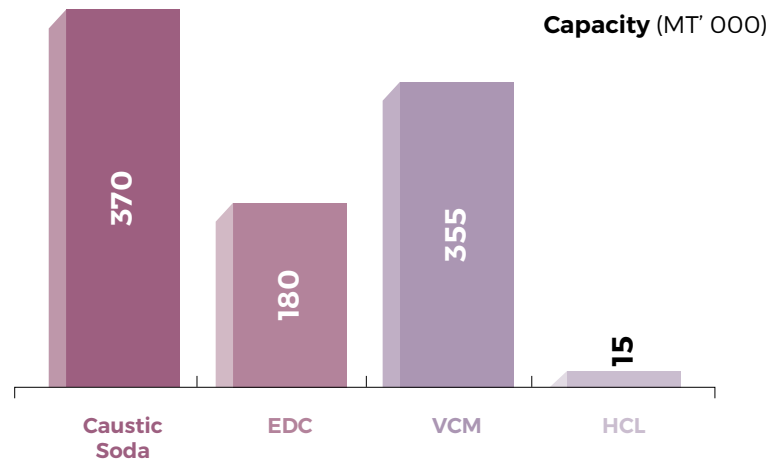
## Chlor-alkali

### Segment overview

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

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

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

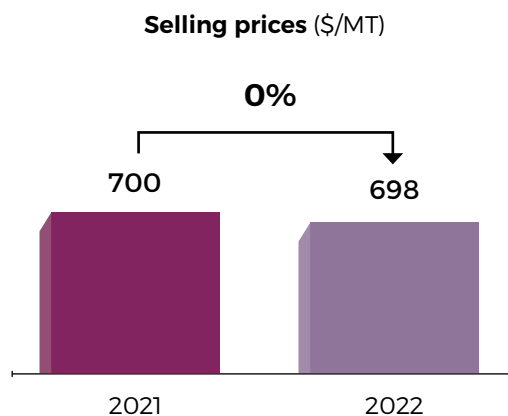
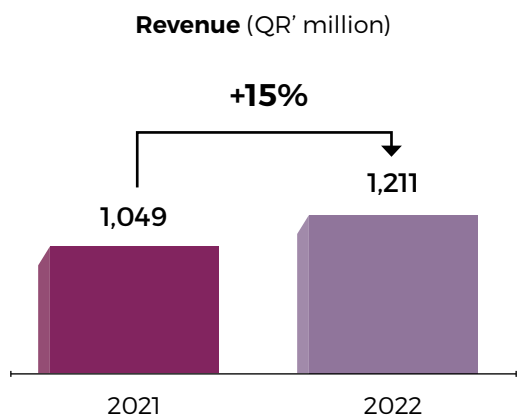
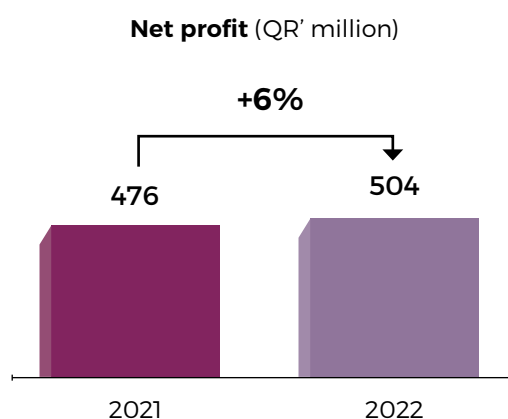
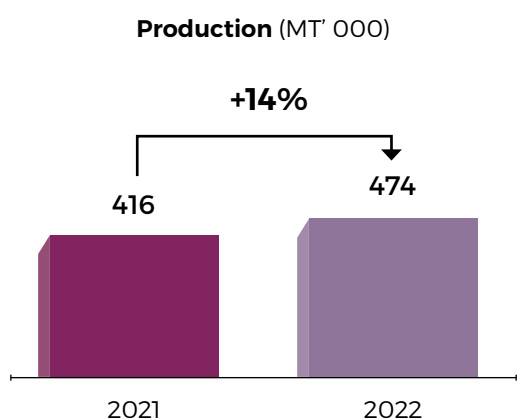


Note: The capacities reported in the above table represents full production capacities in relation to the producing entity.

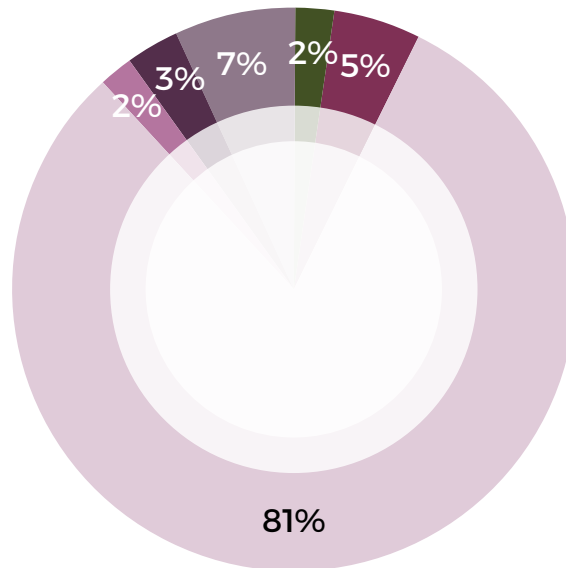
# MPHC Business Segments at a Glance

(Continued)

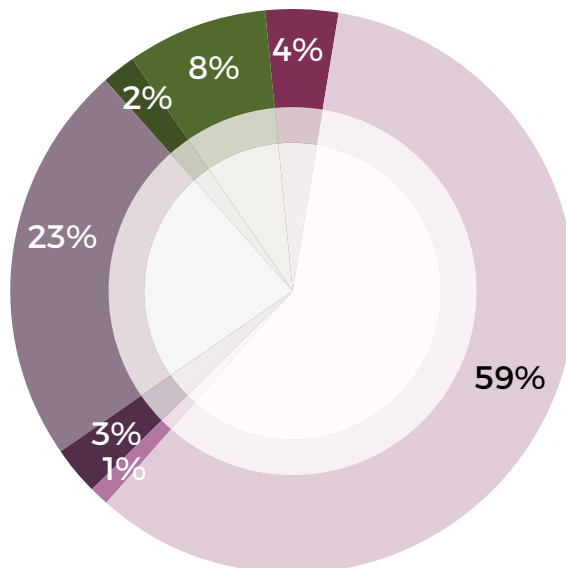
## 2022 Chlor-Alkali performance



### 2021 segment revenue (%)



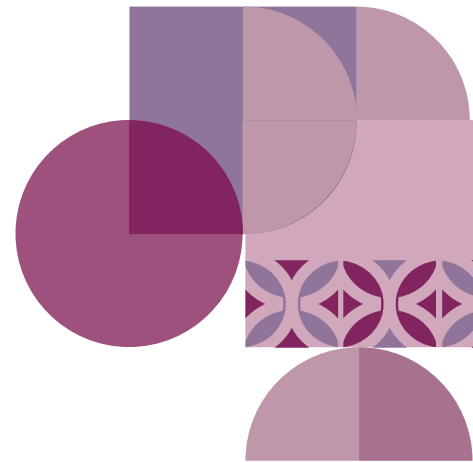
### 2022 segment revenue (%)



- Asia, excl. ISC
- Europe
- Qatar
- North America
- Indian sub-continent
- Africa
- Middle East

# INDEPENDENT AUDITOR'S REPORT

**The Shareholders of  
Mesaieed Petrochemical Holding Company Q.P.S.C.  
Doha, Qatar**



## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

### 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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. 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 Matters	How our audit addressed the key audit matter
<b>Revenue Recognition in Joint Venture</b>	
<p>As disclosed in note 4(ii) to the financial statements, the Company's share of the results of its joint ventures (Q-Chem, Q-Chem II and QVC) of QR 1,699 million for the year ended 31 December 2022 represents 96% of the total income of the Company.</p> <p>The joint ventures recognized revenue of QR 7,966 million during the year ended December 31, 2022. The majority of the revenue is earned from a single third party (the "customer").</p> <p>Revenue is recognised by Joint Ventures of the Company when control related to the products is transferred to the customer. This is defined in the contracts between the Joint Ventures and the customer.</p> <p>We identified revenue recognition by the joint ventures as a key audit matter as any errors in the recording of the volume and value of shipments could lead to a material misstatement in the determination of the share of results presented in the statement of profit or loss and other comprehensive income.</p>	<p>Our procedures in relation to revenue recognition from revenue recognised by the joint ventures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the revenue process and identifying relevant controls over revenue recognition implemented by the joint ventures.</li> <li>• Determining if the controls implemented by the joint venture had been appropriately designed and implemented and are operating effectively.</li> <li>• Reviewing the contracts between the joint ventures and the customer;</li> <li>• Performed test of details to verify occurrence and accuracy of revenue transactions on a sample basis.</li> <li>• Select samples and verify the cut off of sales from statements received from Muntajat;</li> <li>• Select samples and perform verification of whether the revenue transactions have been recognised in the correct accounting period.</li> </ul>

### Other Matter

The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 21 February 2022.

### Other Information

Management is responsible for the other information. The other information comprises the Board of Director's 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 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 or 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.

# Independent Auditor's Report

(Continued)

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 IFRSs and applicable provisions of Qatar Commercial Companies' Law, 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 judgement and maintain professional skepticism 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal controls.
- 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 disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations 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 communications.

### **Report on Other Legal and Regulatory Requirements**

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- The Company has maintained proper books of account and the financial statements are in agreement therewith;
- We obtained all the information and explanations which we considered necessary for our audit; and
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Associations were committed during the year which would materially affect the Group's financial position or its financial performance.

Doha - Qatar  
February 15, 2023

For Deloitte & Touche  
Qatar Branch

Midhat Salha  
Partner  
License No. 257

# Independent Auditor's Report

(Continued)

## Independent Assurance Report, to the Shareholders of Mesaieed Petrochemical Holding Company Q.P.S.C. on the Board of Directors' Report on the Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over The Board of Directors' Report on the evaluation of Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting (the "Directors' ICFR Report") as of 31 December 2022.

### Responsibilities of the directors and those charged with governance

The Board of Directors of Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") is responsible for implementing and maintaining effective internal control over financial reporting. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates and judgements that are reasonable in the circumstances.

The Company operates and conducts its activities through the Company and its joint ventures ("Components") (together the "Group") in the State of Qatar and overseas. Management has communicated with the QFMA to clarify the scope of application of the Code. The QFMA has confirmed that the Code requirements address Companies & Legal Entities Listed on the Main Market. Therefore, the Board of Directors' Report on the Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting is limited to the controls of the Company, as its Components are not listed on the Main Market.

The Company has assessed the design, implementation and operating effectiveness of its internal control system as at 31 December 2022, based on the criteria established in the Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework").

The Company's assessment of its internal control system is presented by Management to the Board of Directors in the form of the Directors' ICFR Report, which includes:

- A description of the system of Internal Control over Financial Reporting in place within the Components of Internal Control as defined by the COSO Framework;
- The scope of material business processes and entities in the assessment of Internal Control over Financial Reporting;
- The Company's conclusion on the design, implementation and operating effectiveness of Internal Control over Financial Reporting as at 31 December 2022; and
- Any material weaknesses in the design, implementation and operating effectiveness of controls as at 31 December 2022.

## Our Responsibilities

Our responsibility is to express a reasonable assurance opinion on the fairness of the presentation of the Directors' ICFR Report presented in section 4 of the Company's 2022 corporate governance report, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as at 31 December 2022.

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 about whether the Directors' ICFR Report is fairly presented. The COSO Framework comprises the criteria by which the Company's Internal Control over Financial Reporting is to be evaluated for purposes of our reasonable assurance opinion.

An assurance engagement to issue a reasonable assurance opinion on the Directors' ICFR Report involves performing procedures to obtain evidence about the fairness of the presentation of the Report. Our procedures on the Directors' ICFR Report included:

- Obtaining an understanding of the Company's components of internal control as defined by the COSO Framework and comparing this to the Directors' ICFR Report;
- Obtaining an understanding of the Company's scoping of significant processes and material entities, and comparing this to the Directors' ICFR Report;
- Performing a risk assessment for all material Account Balances, Classes of Transactions and Disclosures within the Company for significant processes and material entities and comparing this to the Directors' ICFR Report;
- Obtaining Management's testing of the design, implementation and operating effectiveness of internal control over financial reporting, and evaluating the sufficiency of the test procedures performed by management and the accuracy of management's conclusions reached for each internal control tested;
- Independently testing the design, implementation and operating effectiveness of internal controls that address significant risks of material misstatement and reperforming a proportion of management's testing for normal risks of material misstatement.
- Assessing of the severity of deficiencies in internal control which are not remediated at 31 December 2022, and comparing this to the assessment included in the Directors' ICFR Report, as applicable.

The components of internal control as defined by the COSO Framework are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

We performed procedures to conclude on the risk of material misstatement within significant processes considering the nature and value of the relevant account balance, class of transaction or disclosure.

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 affect the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: Entity Level Controls, Cash and Cash Equivalents, Dividend Income, Dividend Payable, Income from Investment, Investments in Fixed Deposits, Investments in Joint Ventures, Related Parties, Financial reporting, and Information Technology Controls.

# Independent Auditor's Report

(Continued)

The procedures to test the design, implementation and operating effectiveness of internal control depend on our judgement including the assessment of the risks of material misstatement identified and involve a combination of inquiry, observation, reperformance and inspection of evidence.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on the fairness of the presentation of the Directors' ICFR Report.

## *Meaning of Internal Control 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. 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, which would reasonably be expected to impact the decisions of the users of financial statements.

## *Inherent limitations*

Because of the inherent limitations of Internal Control over Financial Reporting, 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 Control 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.

In addition, projections of any evaluation of the Internal Control over Financial Reporting to future periods are subject to the risk that the internal 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.

## **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, 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.

The 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.

## **Opinion**

In our opinion the Directors' ICFR Report, is fairly stated, in all material respects, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as at 31 December 2022.

## **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 standalone basis and not to its operations of Joint Ventures (the "Group") as a whole, based on the exceptions as provided by the QFMA. Our report is not modified in this respect.

Doha - Qatar  
22 February 2023

For Deloitte & Touche  
Qatar Branch

Midhat Salha  
Partner  
License No. 257  
QFMA Auditor License No. 120156

# Independent Auditor's Report

(Continued)

## **Independent Assurance Report to the Shareholders of Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") on the Board of Directors' Statements on Compliance with the Qatar Financial Markets Authority relevant Regulations including the Corporate Governance Code "Code" for Companies & Legal Entities Listed on the Main Market as at 31 December 2022**

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016 (the "Code"), we have carried out a limited assurance engagement over the Board of Directors' Statements on Compliance (the "Directors' Statements on Compliance") of the Company with the QFMA relevant regulations including the Corporate Governance Code for Companies and Legal Entities Listed on the Main Market (the "Code") included in Section 2 of the Annual Corporate Governance Report as at 31 December 2022, in accordance with the terms of our engagement letter dated March 15, 2022.

### **Responsibilities of the Board of Directors**

The Board of Directors are required to provide a corporate governance report as part of the Company's annual report including the Company's disclosure on its compliance with the relevant QFMA regulations including the provisions of the Code in accordance with the requirements of Article 4 included in these regulations.

Responsibility for compliance with the Code, including adequate disclosure and the preparation of the corporate governance report and that of the Directors' Statement on Compliance, is that of the Board of Directors, and where appropriate, those charged with governance. This responsibility includes designing, implementing and maintaining internal controls relevant to the Directors' Statement on Compliance that are free from misstatement, whether due to fraud or error.

The Board of Directors, and where appropriate, those charged with governance, are solely responsible for providing accurate and complete information requested by us. Deloitte & Touche - Qatar Branch has no responsibility for the accuracy or completeness of the information provided by or on behalf of the Company.

The responsibilities of the Board of Directors includes, inter alia, the following:

- (a) acceptance of responsibility for internal control procedures;
- (b) evaluation of the effectiveness of the Company's control procedures using suitable criteria and supporting their evaluation with sufficient documentary evidence; and
- (c) providing a written report of the effectiveness of the Company's internal controls for the relevant periods.

The Board of Directors has provided its Report on compliance with QFMA's relevant regulations including the Code ("Directors' Statement on Compliance") in Section 2 of the Annual Corporate Governance Report.



## **Our Responsibilities**

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the Directors' Statements on Compliance does not present fairly, in all material respects, the Company's compliance with the QFMA relevant regulations including the Code.

We conducted our limited assurance 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 Directors' Statements on Compliance, taken as a whole, does not present fairly, in all material respects, the Company's compliance with the applicable QFMA regulations including the Code. The applicable QFMA regulations including the Code comprises the criteria by which the Company's compliance is to be evaluated for purposes of our limited assurance conclusion.

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.

Our limited assurance procedures comprise mainly of inquiries of management and inspection of supporting policies, procedures, and other documents to obtain an understanding of the processes followed to identify the requirements of the applicable QFMA regulations 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. We also inspected supporting documentation compiled by management, on a sample basis to assess compliance with the requirements, which we considered necessary in order to provide us with sufficient appropriate evidence to express our conclusion.

## **Inherent limitations**

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

Due to the inherent limitations of a system of internal control, errors or fraud may not be prevented or deterred, and a properly designed and performed assurance engagement may not detect all irregularities.

Control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such control procedures cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, our conclusion is based on historical information and the projection of any information or conclusions in our report to any further periods would be inappropriate.

# Independent Auditor's Report

(Continued)

## 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, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Management 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.

## Conclusions

Based on our limited assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Directors' Statements of Compliance is not compliant with the applicable QFMA regulations as at 31 December 2022.

## Use of Our Report

This limited assurance report is made solely to the Company in accordance with the terms of the engagement letter between us. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent limited assurance report and for no other purpose. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Company, we acknowledge that in connection with the Company's compliance with the Code, the Company is required to publish this report, which will not affect or extend our responsibilities for any purpose or on any basis. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and QFMA for our limited assurance work, for this limited assurance report or for the conclusion we have formed.

## Emphases of Matter

We draw attention to appendix A to this report, which describes requirements that the Company is still in the process of addressing. Our conclusion is not modified in respect of this matter.

Doha - Qatar  
22 February 2023

For Deloitte & Touche  
Qatar Branch

Midhat Salha  
Partner  
License No. 257  
QFMA Auditor License No. 120156

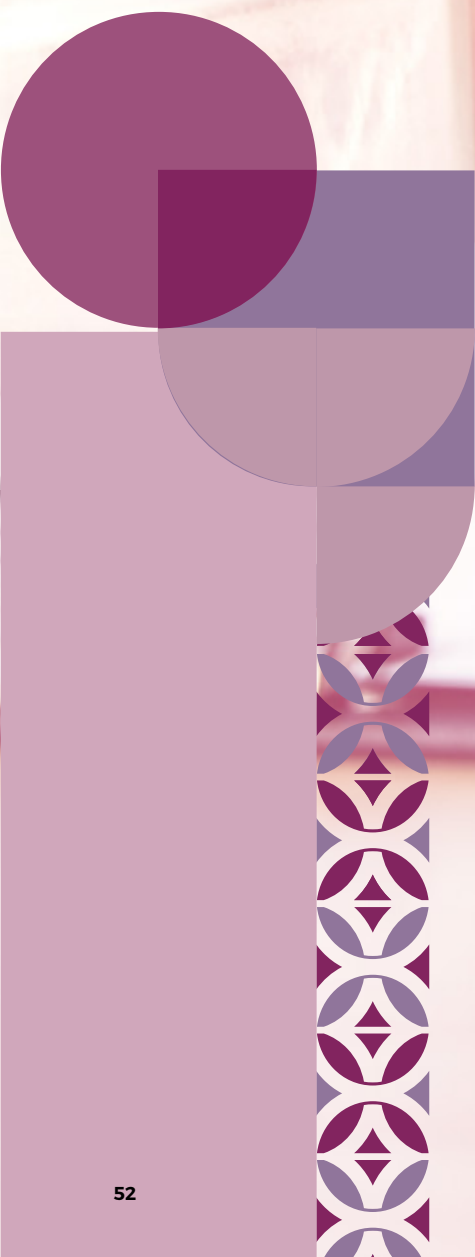
## Appendix A -

Requirements under QFMA regulations, including the code, that the Company is still in the process of addressing

Section to which the matter included in the Company's Annual Corporate Governance Report:	Article No.	In terms of actual application
Section 3-9-1: Audit Committee	Article (18)	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 65.41%).
Section 3-9-3: Nomination Committee	Article (18)	No Nomination Committee was established at the Company level (contrary to Article no. 18 of QFMA Governance Code), as MPH Board of Directors, in accordance with the Company's Articles of Association, consists of no less than five (5) and no more than eleven (11) Directors, all of whom are appointed by the Special Shareholder for the previously mentioned reasons which show how closely the Company's financial and operational performance is connected to QatarEnergy, given the peculiar nature of the Company's incorporation and activity as noted earlier (item no. 3-1 of this report).
Section 4-3: Compliance	Article (24.4)	The company is currently developing an additional mechanism to review, monitor, and ensure that the Company is compliant with applicable laws, rules and regulations, and to enhance the Company's self-revision of risk management.
Section 3-2: Board Composition Pages  Section 6-4-3: Election of Board Directors	Article no. (5) Article no. (6) Article no. (35)	Article 22 of the Company's Articles of Association does not define the minimum number of shares to run for the board membership and that the Board Charter does not include requirement related to the required number of Independent and Non-executive members. In accordance with the Company's amended Articles of Association and in accordance with the new amendment Qatar Companies Law promulgated by the law number 8 for 2021 under article 152, the Board of Directors consists of up to seven (7) Directors, whom are appointed by the special shareholder (QatarEnergy). Accordingly, the Company's Articles of Association make no explicit provisions on the election of Directors and the procedures for nomination, disclosure, voting and appointment.
Section 3-6: Board Meetings	Article (14)	The interval between the third board meeting (held on 4/26/2022) and the fourth (held on 8/10/2022) exceeded three-months, (contrary to Article no. 14 of QFMA Governance Code) by approximately two weeks. This is due to rescheduling the initial meetings dates for preparing the group's reports due to the official holiday of Eid Al-Adha for the year 2022.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2022



# STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	31 December 2022	31 December 2021
	QR '000s	QR '000s
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in joint ventures	14,608,608	14,894,115
<b>Current assets</b>		
Other receivables	32,125	29,358
Deposits and other bank balances	1,846,658	2,347,248
Cash and cash equivalents	1,345,834	148,996
<b>Total current assets</b>	<b>3,224,617</b>	<b>2,525,602</b>
<b>Total assets</b>	<b>17,833,225</b>	<b>17,419,717</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	12,563,175	12,563,175
Legal reserve	76,481	69,660
Retained earnings	4,769,796	4,435,597
<b>Total equity</b>	<b>17,409,452</b>	<b>17,068,432</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to a related party	5,477	5,151
Trade and other payables	418,296	346,134
<b>Total liabilities</b>	<b>423,773</b>	<b>351,285</b>
<b>Total equity and liabilities</b>	<b>17,833,225</b>	<b>17,419,717</b>

The financial statements were approved and authorised for issue by the Board of Directors on 15 February 2023 and were signed on its behalf by:

**Ahmad Saif Al-Sulaiti**  
Chairman

**Abdulrahman Ahmad Al-Shaibi**  
Member

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	QR '000s	QR '000s
Share of results from joint ventures	1,698,930	1,841,010
Interest income	85,201	35,296
Other income	(827)	433
	<b>1,783,304</b>	1,876,739
General and administrative expenses	(16,156)	(15,856)
Exchange and other gains	-	667
<b>Profit for the year</b>	<b>1,767,148</b>	1,861,550
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>1,767,148</b>	1,861,550
<b>Basic and diluted earnings per share (in QR)</b>	<b>0.141</b>	0.148

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital	Legal reserve	Retained earnings	Total
	QR '000s	QR '000s	QR '000s	QR '000s
<b>Balance at 1 January 2021</b>	12,563,175	67,606	3,125,167	15,755,948
Profit for the year	-	-	1,861,550	1,861,550
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,861,550	1,861,550
Social and sports fund contribution	-	-	(46,539)	(46,539)
Transfer to legal reserve	-	2,054	(2,054)	-
<i>Transaction with owners in their capacity as owners:</i>				
Dividends approved	-	-	(502,527)	(502,527)
<b>Balance at 31 December 2021</b>	12,563,175	69,660	4,435,597	17,068,432
<b>Balance at 1 January 2022</b>	<b>12,563,175</b>	<b>69,660</b>	<b>4,435,597</b>	<b>17,068,432</b>
Profit for the year	-	-	1,767,148	1,767,148
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,767,148	1,767,148
Social and sports fund contribution	-	-	(44,179)	(44,179)
Transfer to legal reserve	-	6,821	(6,821)	-
<i>Transaction with owners in their capacity as owners:</i>				
Dividends approved	-	-	(1,381,949)	(1,381,949)
<b>Balance at 31 December 2022</b>	<b>12,563,175</b>	<b>76,481</b>	<b>4,769,796</b>	<b>17,409,452</b>

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022	2021
	QR '000s	QR '000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	1,767,148	1,861,550
Adjustments for:		
– Interest income	(85,201)	(35,296)
– Other income	827	(433)
– Share of results from joint ventures	(1,698,930)	(1,841,010)
	(16,156)	(15,189)
Movement in working capital:		
– Other assets	-	62,234
– Prepayment and other receivables	(2,767)	(21,486)
– Trade and other payables	72,162	23,552
– Due to a related party	326	492
<b>Cash flows generated from operations</b>	<b>53,565</b>	<b>49,603</b>
Social and sports fund contribution paid	(46,539)	(35,421)
<b>Net cash from operating activities</b>	<b>7,026</b>	<b>14,182</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from joint ventures	2,027,637	1,224,290
Additional investment in joint venture	(43,200)	-
Placement of fixed term deposits	(1,478,904)	(2,196,332)
Interest received	82,433	13,810
Maturity of fixed term deposits	1,983,795	1,418,087
<b>Net cash from investing activities</b>	<b>2,571,761</b>	<b>459,855</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	(1,307,435)	(488,669)
Movement in unclaimed dividends account	(74,514)	(13,858)
<b>Net cash used in financing activities</b>	<b>(1,381,949)</b>	<b>(502,527)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,196,838</b>	<b>(28,490)</b>
Cash and cash equivalents at beginning of the year	148,996	177,486
<b>Cash and cash equivalents at end of the year</b>	<b>1,345,834</b>	<b>148,996</b>

Notes to the financial statements are an integral part of the financial statements. For more information, please visit MPHC's website: [www.mphc.com.qa](http://www.mphc.com.qa) or please scan the QR-code using a smart phone for easy access to the full set of financial statements.





# 2022 CORPORATE GOVERNANCE REPORT



# 2022 Corporate Governance Report

(Continued)

## 1- Introduction

Mesaieed Petrochemical Holding Company (hereinafter referred to as “MPHC” or “the Company”), a Qatari public shareholding company listed on Qatar Stock Exchange, was established on 29<sup>th</sup> of May 2013 in accordance with the provisions of its Articles of Association and the Commercial Companies Law promulgated by Law no. 5 of 2002, especially Article 68 thereof. MPHC then brought its Articles of Association into conformity with the provisions of the Commercial Companies Law promulgated by Law no. 11 of 2015 as amended by Law no. 8 of 2021, having regard to the peculiar nature of its incorporation.

QatarEnergy, the founder, Special Shareholder and 65.41% 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 QatarEnergy's established rules and procedures as a service provider. As part of its Board of Directors' efforts aimed at complying with the principles of corporate governance and applying industry-standard best practices, MPHC had fully and independently developed a Corporate Governance Framework in line with the peculiar nature of its incorporation. The Framework was approved by the Board on 25<sup>th</sup> of November 2015.

## 2- Scope of implementation of the governance and compliance with its principles

Out of a firm belief in the importance and need for establishing the principles of good governance to ensure and enhance value creation to shareholders, MPHC Board of Directors is firmly committed to implementing governance principals set forth 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.

In doing so, the Board defined the roles and responsibilities of the Board of Directors, Senior Executive Management and employees of the Company. It promotes the principals of justice and equality among stakeholders without discrimination and enables them to exercise and enjoy their rights, upholding values of protecting the minority. The Board maintains productive control and risk management, enhances transparency and disclosure and provides information to the stakeholders at the right time and in the manner that enables them to make decisions and undertake their duties properly.

Moreover, the Board of Directors upholds the values of corporate social responsibility, puts the interest of the Company and its stakeholders ahead of any other interest, carries out its roles and responsibilities in good faith, integrity, honor and sincerity and takes the responsibility arising therefrom to the 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 applications, as and when required. In addition, the Board of Directors endeavors to maintain a Code of Conduct that reflects the values held by the Company and ensures the establishment of the principals of transparency, upholding the values of self-control and integrity and acknowledging responsibility.

In addition, as the head office service provider, QatarEnergy ensures that its concerned staff are made aware of and trained on risk management, self-control and professional code of conduct, anti-bribery and corruption, conflict of interest and information classification and security, among others.

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

## **3- Board of Directors**

### **3-1 Board Structure**

Mesaieed Petrochemical Holding Company was established by QatarEnergy, a Qatari state-owned public corporation established by Decree Law no. 10 of 1974, as a parent company of a group of companies that operate in a strategic and critical sector (petrochemical industries). The Company went public by QatarEnergy in 2013. MPHC was founded by QatarEnergy to help achieve the main objectives of the economic policy in terms of supporting the economic diversification pursued by the state, which in turn contributes to the industrial development in Qatar, while playing a major role in the development of the relevant sectors. In addition, Qatari nationals were given investment opportunity, as MPHC went public and listed on Qatar Stock Exchange by QatarEnergy to share the generated profits with them. All shareholders receive annual dividends in proportion to their shareholdings.

MPHC listing on Qatar Stock Exchange was of a specific and unique nature, as shareholders would be given free incentive shares equivalent to 100% of their allocated shares, helping promote saving culture among Qatari nationals, while ensuring that they receive maximum benefit from MPHC activities. In addition, an Amiri grant was given to the underprivileged.

Recognizing the peculiar nature of MPHC's activities and incorporation, the Company's strategic position as one of the main pillars of Qatar's economy, and taking into account the public interest, it was therefore critical, to make sure state assets and production facilities are properly managed in a manner that ensures sustainability and creates value for the Company's shareholders, that QatarEnergy, the founder of the Company, retains special privileges, including the Special Share. These special privileges are provided for in article no. 77 of the Commercial Companies Law promulgated by Law no. 5 of 2002 at that time, which are still in effect as part of the provisions of the Commercial Companies Law promulgated by Law no. 11 of 2015 as amended by Law no. 8 of 2021. In addition, article no.152 states that the Company's articles of association may provide for the determination of some privileges for a class of shares, provided that the shares of the same class are equal in rights, advantages and restrictions.

## 2022 Corporate Governance Report

(Continued)

Due to many reasons that show how closely the Company's financial and operational performance is connected to QatarEnergy, making it vital to maintain aligned strategy and vision, QatarEnergy, the Special Shareholder, had to reserve the right to appoint Board Directors and senior and executive management teams who are sufficiently qualified and experienced to perform their duties effectively in the best interest of the Company and dedicated to achieving its goals and objectives. The reasons are summarized as follows:

- QatarEnergy is the founder, Special Shareholder and 65.41% majority shareholder.
- The contractual obligations on QatarEnergy provided for in the agreements signed with foreign partners in the joint ventures, which were the basis for the establishment of the Company and transfer of QatarEnergy's stakes in the joint ventures to MPHC.
- Mesaieed Petrochemical Holding Company and its joint ventures depend on QatarEnergy for supply of feedstock and infrastructure.
- Mesaieed Petrochemical Holding Company and its joint ventures depend on QatarEnergy for technical, technological and marketing support.
- QatarEnergy provides all financial and head office services to the Company under a comprehensive service-level agreement. These services are provided as and when requested to ensure that the operations of Mesaieed Petrochemical Holding Company are fully supported.

Therefore, the Board, in accordance with the Company's amended Articles of Association, consists of no less than five (5) and no more than eleven (11) Directors, all of whom shall be appointed by the Special Shareholder (QatarEnergy). 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.

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

### 3-2 Board Composition

Directors are appointed for renewable terms of three (3) years or such shorter periods (being no less than one (1) year). Pursuant to QatarEnergy's resolution no. 11 of 2021 passed on 17<sup>th</sup> of March 2021, MPHC Board of Directors was reconstituted in accordance with Article no. 22 of the Company's Articles of Association. Accordingly, seven (7) Directors were appointed by QatarEnergy with effect from 15<sup>th</sup> of March 2021. In accordance with the definition of the independent Director in QFMA Governance Code, MPHC Non-Executive Directors are Non-Independents, as they are representatives of a legal person that owns more than 5% of the Company's share capital. MPHC Board of Directors does not include executive Directors, as QatarEnergy provides the Company with all the executive services under a service - level agreement.

In accordance with the composition of the Board and its roles and responsibilities provided for in 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.

QatarEnergy 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. In addition, QatarEnergy ensures that all of its representatives in group companies attend appropriate training and awareness programs so that subsidiaries' boards of directors can achieve the highest levels of performance and adopt the best governance practices.

MPHC makes timely disclosure of any and all resolutions by QatarEnergy concerning the composition of the Board of Directors or any change thereto (Directors' bios are included in the appendix to this report).

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

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

As part of the Company's Board of Directors' efforts aimed at determining its roles and responsibilities in accordance with QFMA Governance Code and ensuring adherence, MPHC, based on the approval of the Company's Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended article no. 27 "Directors' Responsibilities and Liabilities" of its Articles of Association to read as follows: "The Board shall prepare a Charter called "Board Charter" detailing the Board's functions, and rights, duties and responsibilities of the Chairman and Directors. The functions and responsibilities of the Board are defined in accordance with the provisions of the Law and the Governance Code for Listed Companies issued by Qatar Financial Markets Authority."

In accordance with Board Charter, which is available on the Company's website, the Board, among other responsibilities, provides strategic guidance in line with the Company's vision and mission through approving the Company's strategic directions, main objectives and business plans and supervising their implementation. It also develops and supervises proper internal control systems and risk management, appoints the Company's Senior Executive Management and approves the succession planning concerning the management. It establishes mechanisms for dealing and cooperating with providers of financial services, financial analysis, credit rating and other service providers, supervises and ensures the appropriateness of internal control systems of the risk management, conducts periodic review of the Company's internal control procedures mainly by the Board Audit Committee and approves the training and education in the Company that includes programs introducing the Company, its activities and governance in accordance with the Governance Code for Companies and Legal Entities Listed on the Main Market issued by the QFMA.

## 2022 Corporate Governance Report

(Continued)

The Board of Directors puts in place a corporate governance framework consistent with the provisions of QFMA Governance Code and oversees all the framework, monitors its effectiveness and makes amendments as required. The Board also reviews the Company's policies and procedures to ensure compliance with the relevant laws, regulations, MPHC Memorandum of Association and Articles of Association.

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

The Board carries out its functions and duties in accordance with the provisions of Article (9) of QFMA Governance Code, amongst which the Board shall not enter into loans that spans more than three years and shall not sell or mortgage real estate of the Company, or drop the Company's debts, unless it is authorized to do so by the Company's Articles of Association, which so authorize to the Company's Board of Directors. In addition, under MPHC internal regulations, including Board Charter, the Board shall ensure that the Company adheres to its Articles of Association and the applicable laws and regulations, including QFMA regulations. Also, the Board may not act or make transactions that do not comply with the relevant laws and regulations, and that such actions or transactions must be approved by the relevant authorities, including the Company's General Assembly.

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 providing the strategic guidance to MPHC, 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.

As part of its efforts to be in compliance with the provisions of the Commercial Companies Law as amended by Law no. 8 of 2021, MPHC, based on the approval of the Company's Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended article no. 41 "Role of Chairman and Deputy Chairman" of its Articles of Association to read as follows: "The Chairman shall represent the Company towards Third Parties and Judiciary, and his signature shall be regarded by Third Parties

and Judiciary as indicating approval by the Board of any transaction to which it relates. The Chairman shall implement the resolutions passed by the Board and abide by the recommendations thereof. The Chairman may delegate some of his powers to other Directors or members of the senior executive management. The delegation shall be of definite period and subject. The Deputy Chairman (if any) shall substitute for the Chairman in his/her absence. The Chairman, or in his/her absence the Deputy Chairman (if any) or in the absence of both of them any other Director appointed by the Directors to serve as Chairman, shall act as the Chairman of meetings of the Board and of the General Assembly.”

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 or influence on decision making at the time of developing the Company’s Manual of Authority and the relevant regulations.
- The Chairman in his capacity is not a member in any of the Board Committees or Special Committees, while ensuring that committees’ Manuals of Authority and Terms of Reference are developed for effective functioning, members of the Committees are properly selected, and that committees’ Manuals of Authority and Terms of Reference are in line with best practices of governance.
- 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**

Directors are committed to exercising due care and making full use of their diverse skills and experience in managing the Company and complying with the relevant regulations and laws, including Board Charter and the Code of Ethics, and to work in accordance with the ethical principles of integrity, respect, objectivity, accountability, excellence, sustainability and confidentiality to ensure upholding the interests of the Company, its shareholders and other stakeholders to be priority before any other interest. In accordance with the 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 and responsibilities.

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

The Board of Directors convenes for the conduct of business, adjourn and otherwise regulates its meetings as it thinks fit. In accordance with Article no. 30-1 of the Company’s Articles of Association, 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 the amended Articles of Association, the Board fulfilled the minimum required number of meetings (6 meetings) during 2022.

However, the interval between the two Board meetings, the third held on 26<sup>th</sup> of April 2022 and the fourth held on 10<sup>th</sup> of August 2022, exceeded the three-month period, contrary to Article no. 14 of QFMA Governance Code, by almost two weeks due to rescheduling the dates for preparing the group’s reports due to the official holiday of 2022 Eid Al-Adha.

## 2022 Corporate Governance Report

(Continued)

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.

MPHC, based on the approval of the Company's Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended article no. 35 "Business Not on Agenda" of its Articles of Association to read as follows: "No resolution may be proposed to the Board at a meeting unless the matter is on the agenda for that meeting or at least two (2) Directors (or the proxy of such Directors) (excluding Independent Directors) agree to a request by a Director that one or more items may be added to the agenda."

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

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

### 3-7 Board resolutions

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

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



### **3-8 Board Secretary**

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

The detailed roles and responsibilities of the Board Secretary are included in the Board of Directors Job Descriptions within the Corporate Governance Framework. These roles and responsibilities are aligned with the main 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, in accordance with Board Charter and his/her job description, is responsible for arranging the logistics of the meetings, taking and recording the minutes of Board meetings and resolutions, maintaining and safekeeping of Board documentation, minutes of meetings, resolutions and correspondence and distributing of Board meeting agendas, invitations, other required documentation, full coordination among Directors, the Board and relevant stakeholders, enabling Directors to have quick access to all the Company's documents, as well as its information and data. He/she is also responsible for keeping official forms, correspondence, official documents, lists of names of Board Directors and their membership, and fulfilling other official requirements. In addition, he/she provides orientation material and scheduling orientation sessions for new Board Directors.

The current Board Secretary has a legal experience that spans more than 19 years. In addition, the Secretary has long expertise on the affairs of a listed company.

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

### **3- 9 Board Committees**

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

#### **3-9-1 Audit Committee**

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

## 2022 Corporate Governance Report

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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 65.41%). No one of the current members has directly or indirectly conducted external audit for the Company during the two years prior to their membership in the Committee.

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

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

During its meetings of 2022, Committee considered several matters and resolved the following

1. Approve the External Auditor's report on financial statements for the financial year ended 31<sup>st</sup> of December 2021.
2. Review and endorse the financial statements for the financial year ended 31<sup>st</sup> of December 2021 and present the executive summary report.
3. Endorse the appointment of the External Auditor for the financial year ended 31<sup>st</sup> of December 2022 and determine their fees.
4. Endorse 2021 Corporate Governance Report.
5. Review and endorse the financial statements for the financial period ended 31<sup>st</sup> of March 2022 and present the executive summary report.
6. Review and endorse financial statements for the financial period ended 30<sup>th</sup> of June 2022 and present the executive summary report.
7. Review and endorse the financial statements for the financial period ended 30<sup>th</sup> of September 2022 and present the executive summary report.
8. Review periodic internal audit activities, including risk assessment update, audit plan for the Company and its joint ventures, conclusions, recommendations and related corrective actions.
9. Review a three-year internal audit plan for group internal audit, experience and qualifications of auditors and related budget.
10. Conduct annual self-assessment of the Committee's performance.
11. Endorse the appointment of the Internal Auditor for a period of five years, starting 1<sup>st</sup> of January 2023 after reviewing the procedures for floating the tender and making relevant assessments
12. Present MPHC 2022 BAC meeting timetable for acknowledgement.

In accordance with Committee's Terms of Reference, the meeting of the Committee shall be valid only in the presence of the Committee Chairman and a majority of its members. Minutes of meeting shall be prepared for each meeting and signed by all members and representatives present at the meeting. In accordance with the Committee's amended Terms of Reference, Committee holds at least (6) meetings during the financial year. During 2022, Committee met the minimum required number of meetings (6 meetings).

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

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

### 3-9-2 Remuneration Committee

The Company established a Remuneration Committee pursuant to Board resolution no. 2 of 2018. Committee has been reconstituted pursuant to Board resolution no. 3 of 2022. Committee currently consists of three members, including a Board Director as Chairman, all of whom have the required experience to efficiently perform their duties and exercise all the authorities and powers vested in or exercisable by the Committee. Committee Chairman is not a Chairman of any other Board Committee, and the BAC Chairman is not a member of the Remuneration Committee.

Committee's Terms of Reference were developed in line with QFMA Governance Code and the industry-standard best corporate governance practices. Committee responsibilities include outlining the general policy for granting remunerations on an annual basis, taking into consideration the requirements of relevant regulators. Committee sets the foundations for granting remunerations and allowances to Board Directors and the Senior Executive Management and submits proposals on the remunerations of the joint ventures' Boards of Directors.

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 Qatar Stock Exchange. In addition, Committee reviews the self-assessment of Board Directors, which includes a comprehensive analysis of Board performance and related proposals, taking into consideration many factors that serve the long-term interests of the Company's shareholders and meet their expectations. Committee reports to the Board of Directors on its activities, issues and raises recommendations.

## 2022 Corporate Governance Report

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In 2022, Committee held a meeting on 16<sup>th</sup> of February 2022, during which it considered several matters and resolved the following:

1. Review self-assessment of Board Directors –Directors made positive assessments at various levels, such as independence, objectivity, knowledge and experience, teamwork, leadership, goals, contributions, participation and inputs. Directors also discussed several proposals for the enhancement of Board performance.
2. Propose the remuneration of Board Directors for the financial year ended 31<sup>st</sup> of December 2021.
3. Review the proposed remunerations of the joint ventures’ Boards of Directors - ensuring that these remunerations were determined based on the operational and financial performance of the subsidiaries with a fair estimate.

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. Committee shall meet as and when necessary. Prior to Board meeting for reviewing the year-end financial statements, Committee shall meet to make recommendation on the proposed remuneration of Board Directors that should be presented to and approved by the Annual General Assembly.

### Remuneration of Board of Directors

The Company developed a periodically revisited remuneration and allowance policy for Board Directors. The policy has fixed component for Board Directorship and attending meetings and a variable component (remuneration) based on the performance of the Company and the extent to which it achieves its medium- and long-term objectives, provided that the total of both components - in any case - should not exceed the maximum “ceiling” amount determined by the policy as approved by QatarEnergy. The main principles of this policy are included in the Corporate Governance Framework. In accordance with the Company’s Articles of Association, the proposed remuneration of Directors shall be presented to and approved by the General Assembly.

As part of its efforts to be in compliance with the provisions of the Commercial Companies Law as amended by Law no. 8 of 2021, MPHC, based on the approval of the Company’s Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended Article no. 44 “Remuneration of Directors” of its Articles of Association to read as follows: “The Directors shall be paid such remuneration as may be determined by applicable Law and regulations, subject to approval by a resolution of the General Assembly. Directors may receive a lump sum in the event that the Company does not make any profits, subject to the approval of the Company’s General Assembly.”

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

## Remuneration of senior management

All financial, administrative and head office services are provided by resources from QatarEnergy under a service-level agreement. Accordingly, the Company's staffing structure does not include any senior executive position. Therefore, no senior executive management remuneration was approved for 2022.

Committee currently consists of three members. A meeting was held on 16<sup>th</sup> of February 2022 to consider the proposed remuneration of the Board of Directors for the financial year ended 31<sup>st</sup> of December 2021. A recommended remuneration of QR 5,900,000 for all Board Directors was presented to and approved by the General Assembly held on 15<sup>th</sup> of March 2022. As for Board Committees, no remuneration or allowance is paid for membership or attending meetings. The table below shows the current members of the Committee:

Name	Position
Mr. Abdulaziz Mohamed Al-Mannai	Chairman
Mr. Abdulla Yaqoob Al-Hay	Member
Mr. Ahmed Aly Mohamed	Member

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

### 3-9-3 Nomination Committee

No Nomination Committee was established at the Company level (contrary to Article no. 18 of QFMA Governance Code), as MPHC Board of Directors, in accordance with the Company's Articles of Association, consists of no less than five (5) and no more than eleven (11) Directors, all of whom are appointed by the Special Shareholder for the previously mentioned reasons which show how closely the Company's financial and operational performance is connected to QatarEnergy, given the peculiar nature of the Company's incorporation and activity as noted earlier (item no. 3-1 of this report).

### 3-10 Assessment of Board Performance

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

1. Independence and impartiality in presenting views and ideas while avoiding conflicts of interest.
2. Directors' knowledge and experience that are relevant to the Company's activity.
3. Commitment, participation and team working at the Board and its committees.
4. The role of the Board and the extent to which it achieves the objectives set, including the outcome of the business and the achievement of the Company's strategy.

## 2022 Corporate Governance Report

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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.

The Remuneration Committee, at its first meeting of 2022 held on 16<sup>th</sup> of February 2022, reviewed the self-assessments of Board Directors for the financial year ended 31<sup>st</sup> of December 2021. Directors made positive assessments at various levels, such as independence, objectivity, knowledge and experience, teamwork, leadership, goals, contributions, participation and inputs. They also discussed several proposals for the enhancement of Board performance. Assessment results were then submitted to the Company' Board of Directors at its first meeting of 2022 held on 21<sup>st</sup> of February 2022.

In its first meeting of 2023, the Remuneration Committee will review 2022 Board self-assessment and will make its recommendations in this regard as part of its report to the meeting of the Board of Directors.

During 2022, the Board performed the tasks and dispensed business decisions within its authorities as provided for in the Board Charter. Directors had no grievances or complaints. All proposals were discussed during Board meetings and necessary relevant actions were taken, whether corrective or reinforcing. The Board is satisfied that it has effectively discharged all of their duties and obligations

### 4- Company's control system

The primary purpose of internal controls is to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. To achieve this, the Company adopted an internal control system that includes the development of internal controls over financial reporting, policies and operating procedures for risk management, internal and external audit, monitoring Company's compliance with the relevant regulations. Clear lines of self-control, responsibility and accountability throughout the Company are therefore set.

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

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

activities, information, communications and monitoring.

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

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

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

Moreover, having a benchmark framework, such as COSO Framework, will enable the management to establish and maintain an internal control system. The External Auditor can also use it as a benchmark framework to perform their duties in accordance with article no. 24 of QFMA Governance Code for Companies & Legal Entities Listed on the Main Market issued pursuant to QFMA's Board Decision no. 5 of 2016, in particular with regard to the assessment of the appropriateness and effectiveness of internal control systems implemented in the Company.

To ensure compliance 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's internal controls over financial reporting were assessed based on the Company' 2021 standalone financial statements. A top-down approach was used in designing and testing of the Company's framework wherein it begins at the financial statement level and with the understanding of the overall risks to internal controls over financial reporting.

Business risks were assessed using the Company's 2021 standalone financial statements. The risk assessment, which involved application of "Materiality" on MPHC' 2021 standalone financial statements (considering the qualitative and quantitative factors) based on the inputs of the External Auditor and the best practices, was made to determine the significant accounts, disclosures, their relevant assertions and applicable business processes within the Company for controls identification, evaluation and testing.

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

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## ***Risk assessment:***

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

## ***Perform walkthrough:***

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

These internal controls are grouped as follows:

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

A walkthrough involves following a transaction from origination through the Company's processes, including information systems, until it is reflected in the Company's financial records, using the same documents and information technology that Company personnel use.

Walkthrough procedures usually include a combination of inquiry, observation, inspection of relevant documentation.

## ***Test of internal controls:***

Following the risk assessment and controls identification, the Internal Auditor conducts control testing on each of the identified controls to assess if they are designed adequately and operating effectively. Control testing encompasses three components: test of design effectiveness, test of operating effectiveness, and ongoing monitoring.



### ***Test of Design Effectiveness:***

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

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

### ***Test of Operating effectiveness:***

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

### ***Evaluating identified deficiencies:***

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

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

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

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

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

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## *Remediation Testing:*

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

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

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

## **4-1 Risk management**

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

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

- Risk identification and assessment involve identifying and assessing all risks facing the Company. Risks are classified into four main categories: strategic, operational, financial and compliance related. For each risk, there must be measures to address it effectively, as well as a set of indicators to monitor changes in the overall risk structure and landscape. Risks 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 tendering procedures. Offers are received by a formed Tender Committee. After an evaluation of the technical and commercial offers is made, the Tender Committee makes its recommendations to the Board Audit Committee on the selection of the appropriate consultant.

During 2022, a tender was floated to appoint an Internal Auditor to provide the Company and its joint ventures, as instructed by the BAC and in accordance with the audit plan, with internal audit services as a “service provider”. The Committee, by its resolution no. 2 of 2022, endorsed the appointment of the Internal Auditor for a period of five years, starting 1<sup>st</sup> of January 2023 after reviewing the procedures for floating the tender and making relevant assessments.

The appointed Internal Auditor makes risk assessment at the Company and joint ventures level, draw up appropriate audit plan, get BAC approval, conduct audit in accordance with the approved audit plan, submit their periodic reports to the BAC and follow up on the implementation of the outstanding observations and related corrective action plans.

The Internal Auditor has access to all business functions and all data are provided as and when requested. The Internal Auditor verifies control systems, financial oversight and risk management, reviews the development of risk factors at the Company and the appropriateness and effectiveness of the applicable systems to address the related risks. 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.

The internal audit reports are prepared by the Internal Auditor at the Company and subsidiaries level according to the approved audit plan and in line 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. The report includes assessment results of risks and applied systems at the Company, control and risk management procedures, updates on audit work and related results and an assessment of the Company’s performance as to applying the internal controls to ensure adherence to and compliance with the regulations set by the regulators, a follow up and the current status of the executive management’ plans of corrective actions to address any weaknesses in the internal controls and any other tasks as recommended by the Audit Committee. The executive management receives a copy of the report to take the necessary corrective actions as instructed by the Board Audit Committee.

The Internal Auditor completed 10 audits and follow-up audits in accordance with the audit plan that covers MPHC, Q-Chem and Q-Chem 2. The scope of the internal audit, which was based on risk assessment, included many areas across these entities, such as main operations (maintenance, projects, industrial control systems) and support functions (corporate governance and compliance, finance and accounts, management reports, human resources, information technology, HSE and enterprise risk management etc.)

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## 4-2-2 External Audit

The External Auditor provides assurance that the financial statements were properly and fairly prepared in accordance with the international accounting and auditing standards. They report on observations made on significant financial issues and implemented financial controls. Taking into account the requirements of article no. 24 of QFMA Governance Code, the scope of work of the External Auditor includes undertaking control works and assessment of the Company performance, especially relating to appropriateness and effectiveness of internal control systems implemented in the Company, including internal controls over financial reporting, the Company's compliance to its Articles of Associations and the provisions of the Law and QFMA's relevant legislations, including the provisions of QFMA Governance Code.

As part of its efforts to be in compliance with the provisions of the Commercial Companies Law as amended by Law no. 8 of 2021, MPHC, based on the approval of the Company's Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended article no. 57 "Auditors" of its Articles of Association to read as follows: "The Auditors of the Company, who shall be a reputable internationally recognized firm of independent accountants registered to do business in the state of Qatar, shall be recommended by the Board and appointed annually for a term of one (1) year by the General Assembly. Auditors may not be appointed for more than three (3) consecutive terms unless otherwise decided by the General Assembly. The Board shall provide the Auditors with all information reasonably required by them to compile their reports within two (2) months of the Company's Financial Year end. The Auditors shall have full access to the Company's books and records. The Auditors shall provide a report on the Company's accounts prior to the relevant meetings of the Board and the General Assembly in accordance with applicable rules and regulations. The Auditors shall attend the Annual General Assembly (to be convened within four (4) months of the Company's year-end), and give their report in relation to the accounts of the Company laid before such Annual General Assembly."

The Board Audit Committee examines and evaluates offers received from external auditors registered in QFMA external auditors' list. Accordingly, the Committee makes its recommendation to the Board on the appointment of the External Auditor. Once approved by the Board, the recommendation shall be included in the agenda of the Company's General Assembly. The General Assembly appoints the External Auditor for one year, renewable for a similar period or other similar periods up to a maximum of five consecutive years, provided that no re-appointment shall be made before two consecutive years are passed.

The agreement between the Company and the External Auditor provides that the External Auditor's employees are required to strictly maintain confidentiality. Under relevant regulations and laws, the External Auditor is prohibited from combining between their assigned business, functions and duties and any other business in the Company, and from working at the Company before at least one year from the date of relations end with such Company.

The Company floated a tender for the appointment of an External Auditor for a period of five (5) years, starting 2022. The recommendation on the proposed appointment by the committee, which is formed in accordance with Company's tendering procedures, is annually presented to the Company's Ordinary General Assembly for approval. In 2022, the Company's General Assembly, at its meeting for 2021 held on 15<sup>th</sup> of March 2022, approved the appointment of Deloitte Qatar as the Company's External Auditor for 2022 for an annual fee of QR 198,500 inclusive of the external audit work and additional work of ICoFR and corporate governance assessment as instructed by QFMA, as well as the Company's compliance with QFMA Governance Code.

During 2022, the External Auditor, PwC, attended the meeting of the Company's General Assembly for the financial year ended 31<sup>st</sup> of December 2021 held on 15<sup>th</sup> of March 2022, and submitted their independent assurance report on: (A) Audit of the financial statements, (B) Suitability of design and operating effectiveness of the Company's internal controls over financial reporting of significant operations, and (C) Compliance with Qatar Financial Markets Authority's law and related legislations, including the Governance Code for Companies and Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to the QFMA's decision no. 5 of 2016.

As for the financial year ended 31<sup>st</sup> of December 2022, the External Auditor, Deloitte Qatar will attend the Company's General Assembly meeting for the financial year 2022 to be held on 12<sup>th</sup> of March, 2023, and will submit the independent assurance report to the Company's shareholders on:

- a) **Audit of the financial statements.** In their opinion, the External Auditor pointed out that the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').
- b) **Board of Directors' Report on the Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting.** In their opinion, the External Auditor pointed out that the Directors' ICFR Report, in fairly stated, in all material respects, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as at 31 December 2022. They draw attention to the fact that the assurance report relates to Mesaieed Petrochemical Holding Company on a stand-alone basis and not to its operations of Joint Ventures (the "Group") as a whole, based on the exceptions as provided by the QFMA. The External Auditor's report is not modified in this respect.
- c) **Board of Directors' Statements on Compliance with the Qatar Financial Markets Authority relevant Regulations including the Corporate Governance Code "Code" for Companies & Legal Entities Listed on the Main Market as at 31 December 2022.** In their opinion, the External Auditor pointed out that, based on their limited assurance procedures performed and evidence obtained, nothing has come to their attention that causes them to believe that the Directors' Statements of Compliance is not compliant with the applicable QFMA regulations as at 31 December 2022.

The External Auditor's full independent reports mentioned above, which include responsibilities, inherent limitations, scope and its determinants, criteria, results and the basis for conclusion/opinion, were published as part of the Company's annual report available on the Company's website ([www.mphc.com.qa](http://www.mphc.com.qa)).

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## 4-3 Compliance

MPHC Board of Directors is strongly committed to maintaining full compliance with all applicable regulations, including QFMA requirements for listed companies. The Board makes every effort to ensure that a governance structure based on best practices, standards and regulatory governance requirements is developed and implemented.

Areas of non-compliance with particular provisions of QFMA Code, including the reasons for any such non-compliance, were highlighted in this report. The Company makes every effort to be in compliance with the provisions of the applicable QFMA law and relevant legislations, including the Code.

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

The Compliance Section continuously monitors changes to governance regulations and best practices, and periodically updates the Board on any changes to governance practices / regulations. As and when the Company is required to update its governance structure due to new changes to corporate governance regulations and leading practices, Compliance Officers are required to prepare and submit proposals on governance changes to the Board for approval.

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

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

Each and every joint venture of MPHC joint ventures, which are not the main focus of this report, is fully aware of the importance of establishing the principles of good governance, including transparency, accountability and responsibility to support efforts geared towards achieving strategic goals and objectives, financial stability and integrity, and thus enhancing operational excellence. On the other hand, each company, in accordance with the agreements under which it was established with other partners, is managed independently by a Board of Directors having the necessary powers to manage and exercise its duties in full accordance with its fiduciary responsibility, ensuring the protection of all shareholders' rights of different classes. Each company also has its own systems and internal

controls, including risk management systems, which are overseen by the its Board of Directors, Board committees and other relevant executive committees, such as audit committees, institutional risk management committees, governance and compliance committees, crisis management and commercial risks committee, tender committees, HSE committee, Qatarization and human resources committee, discipline committee, information technology and cyber security committee and steering committees for projects and major turnarounds, contributing positively to creating a control environment in line with the best standards and practices.

Moreover, the Company's Board of Directors ensures that the financial and operational performance of its joint ventures is periodically discussed, and conducts comparative analysis of the external risk factors such as prices and sales volumes etc. In addition, Mesaieed Petrochemical Holding Company appoints only qualified and eligible Directors – its representatives to joint ventures - who are sufficiently experienced to perform their duties effectively in the best interest of the joint venture and dedicated to achieving its goals and objectives. Upon appointment, a Director will be fully responsible to the subsidiary, in which he holds a seat on its Board, and shall be held accountable for his decisions to Mesaieed Petrochemical Holding Company as a shareholder in the meeting of the General Assembly, thereby increasing the level of independence from the appointee and non-interference in the management.

## 5. Disclosure and Transparency

### 5-1 Disclosure

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

On the other hand, during 2022, no penalties were imposed on the Company as a result of violations committed during the year, including violations and sanctions imposed because of non-compliance with the implementation of any of principals or provisions of QFMA Governance Code. In addition, there were no settlements of any actual, pending, or threatened litigation during this period against the Company, and that there are no unasserted claims and assessments to be probable of assertion.

Disclosure is made in accordance with specific procedures approved by the Company's management. These procedures include ways of dealing with rumors by proving false or true, and how to clearly disclose in writing in a manner that is consistent with QFMA relevant legislations.

As part of the Company's dedication to transparency and constructive engagement with the internal and external stakeholders, providing them with informative summaries of its businesses from the perspective of governance, economic, social, and environmental aspects, the Company have issued its second sustainability report which summarizes and presents these aspects at a consolidated level for the Group. Through the sustainability report, the Company is provided the opportunity to enlighten its stakeholders about the Group's journey with sustainability, while emphasizing its philosophy on sustainability that is focused on operating at highest standards of safety, preserving the environment, and promoting economic growth with community well-being.

## 2022 Corporate Governance Report

(Continued)

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

### 5-2 Conflict of Interest

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

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

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

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

In all cases, all relationships held by the Company with others must serve the Company's interest, as well as all transactions shall be made according to market prices and on arm's length basis and shall not involve terms that are contrary to the Company's interest.

During 2022, Related Party transactions at the Company level (on a stand-alone basis) included:

- Annual expenses paid to QatarEnergy for providing the Company with all financial and head office services under a service-level agreement.
- Income tax amounts received from joint ventures.



- Annual dividends approved by the joint ventures' General Assemblies.
- Foreign exchange transactions made between MPHC, its joint ventures and related entities as part of managing cash and working capital needs. These transactions were made at the official exchange rates.

### **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 internal 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 interests of the Company.

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

### **5-4 Disclosure of share trading**

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

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

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.

# 2022 Corporate Governance Report

(Continued)

## 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 internal regulations 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.

As part of its efforts to be in compliance with the provisions of the Commercial Companies Law as amended by Law no. 8 of 2021, MPHC, based on the approval of the Company's Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended article no. 13 "Rights Attaching to Shares" of its Articles of Association to read as follows: "Shareholders holding shares of the same class are equal and have all the rights, privileges and restrictions arising from share ownership. Each Share shall, except the Special Share, give its holder equal rights in the Company's assets and Shareholder distributions as well as rights to vote on a one-share- one-vote basis. The rights of the holders of Shares (other than the Special Share) are subject to the rights of the holder of the Special Share as set out in these Articles."

### 6-2 Register of shareholders

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

### 6-3 Shareholder rights to access information

The Company's Articles of Association provide for the procedures to be followed by shareholders for accessing information allowed to be disclosed to enable them to exercise their 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 continuous efforts to establish constructive relationship and maintain communication with shareholders and investors so that they can make sound investment decisions by:

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

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

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

MPHC, based on the approval of the Company's Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended article no. 60 "Access to Books of Account" of its Articles of Association to read as follows: "The books of account of the Company shall be kept at its head office. Subject to such confidentiality and such other restrictions as the Board may from time to time agree, the Shareholders and their respective auditors and the Directors shall have full access to such books of account and all information that enable them to exercise their full rights without prejudice to other shareholders' rights or harm the Company's interest, provided; however, that prior to undertaking any review of the Company's books or records, the Shareholders shall first use their best efforts to obtain the information sought to be obtained from such review by making inquiry of the Company's Auditors."

# 2022 Corporate Governance Report

(Continued)

## 6-4 Shareholder rights to General Assembly

### 6-4-1 Attendance and invitation

The Annual General Assembly considers and approves the Board of Directors' report on the Company's activity and financial performance during the financial year, External Auditor's report, Company's financial statements, governance report, Board's recommendation on dividend distributions, absolving Directors from their liability and approving their remuneration, and appointing the External Auditor and approving their fees.

As part of its efforts to be in compliance with the provisions of the Commercial Companies Law as amended by Law no. 8 of 2021, MPHC, taking into account the instructions made by QFMA on regulating shareholders' rights to the Company's General Assembly meeting held on 15<sup>th</sup> of March 2022, amended the following articles of its Articles of Association:

- a) Article no. 48 "Place of General Assembly Meetings" now reads as follows: "All meetings of the General Assembly shall be held in Qatar. The meetings of the General Assembly may be held by means of modern technology in accordance with the controls set by the Ministry of Commerce and Industry.
- b) Article no. 49 "Notice of General Assembly" now reads as follows: "A General Assembly shall be convened by a notice from (and shall be chaired by) the Chairman or, in his absence, the Deputy Chairman (if any) or such other Director as may have been authorised to do so by the Chairman. A notice to attend the meeting of the General Assembly shall be electronically made to all shareholders on the websites of Qatar Stock Exchange and the Company and shall be published in a Qatari daily newspaper published in Arabic or otherwise by any other means of notification before not less than twenty-one (21) days prior to the proposed date of the General Assembly.
- c) Article no. 50 "Requisition of General assembly" now reads as follows: "A Shareholder or Shareholders together holding at least (10%) of the Company's share capital may require that a General Assembly be convened. Shareholders representing at least (25%) of the Company's share capital may require that an Extraordinary General Assembly be convened in accordance with the provisions of the Law and the regulations in this regard.
- d) Article no. 52 "Right to Attend and Vote" now reads as follows: "Except as otherwise provided in these Articles, each Shareholder (including minors and interdicted persons), whose name is entered in the Shareholders Register at the end of trading session on the day on which the General Assembly is convened and who is present in person or duly represented by proxy, shall be entitled to attend the General Assembly, participate in deliberations and raise questions to Directors who shall respond to the questions to the extent that this does not harm the interest of the Company. A shareholder may refer to the General Assembly if they believe the response to their question is not sufficient. Shareholder shall have the right to vote on such matters on the meeting agenda. Such Shareholder shall have one vote for each Share held."

In accordance with the Company's AoA, a Shareholder may appoint any one Shareholder to act in his place at any General Assembly meeting (in such form as the Board may approve). This person so authorized by proxy shall be entitled to exercise the same powers on behalf of the Shareholder he represents. A Shareholder may act as proxy to one or more Shareholders, provided that such Shareholder shall not own more than (5%) of the Company' share capital.

#### **6-4-2 Effective Participation**

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

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

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

As for the financial year ended 31<sup>st</sup> of December 2022, the Company's Ordinary and Extraordinary General Assembly meetings were held on 15<sup>th</sup> of March 2022. The agenda of the Ordinary General Assembly and the proposed amendments to the Company's Articles of Association were approved. The amendments were originally made to ensure compliance with certain provisions of the Commercial Companies Law promulgated by Law no. 11 of 2015 as amended by Law no. 8 of 2021, as well as the provisions of QFMA Governance Code.

## 2022 Corporate Governance Report

(Continued)

As for the financial year ended 31<sup>st</sup> of December 2022, the following agenda of the Company's Ordinary General Assembly meeting will be considered:

1. Listen to Chairman's message for the financial year ended 31<sup>st</sup> of December 2022.
2. Listen and approve Board of Directors' Report on MPHC's operations and financial performance for the financial year ended 31<sup>st</sup> of December 2022.
3. Listen and approve the External Auditor's Report on MPHC's financial statements for the financial year ended 31<sup>st</sup> of December 2022.
4. Discuss and approve MPHC's financial statements for the financial year ended 31<sup>st</sup> of December 2022.
5. Approve 2022 Corporate Governance Report.
6. Approve the Board's recommendation for a dividend of QR 0.11 per share for the financial year ended 31<sup>st</sup> of December 2022, representing 11% of the nominal share value.
7. Absolve the Directors of the Board from liability for the financial year ended 31<sup>st</sup> of December 2022 and approve their remuneration with a total of QR 5,900,000 for all Directors.
8. Appoint Deloitte Qatar as the Company's External Auditor for the financial year ending 31<sup>st</sup> of December 2023 and approve their fees.

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

As previously indicated, MPHC Board of Directors, in accordance with the Company's amended Articles of Association, consists 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 QatarEnergy. Accordingly, the Company's AoA make no explicit provisions on the election of Directors and the procedures for nomination, disclosure of candidates, voting and appointment.

QatarEnergy 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. QatarEnergy makes timely disclosure of any and all decisions on the composition of the Board of Directors or any change thereto.

### 6-4-4 Dividend distribution

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

session on the day on which the General Assembly is convened, provided that dividends shall not exceed the amount recommended by the Board.

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

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

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

The proposed annual dividend is subject to the final approval of the General Assembly. The Company, through its agreement with a local bank, Commercial Bank, makes it easier for the shareholders to claim their dividends for the year or previous years in cash at all Commercial Bank branches, or make transfers to the accounts of the shareholders who provided their bank account details to Qatar Central Securities Depository. The Company's website is updated with the required documents and all related details to claim dividends

As for the resolution of Company's General Assembly passed in 2022 for the financial year ended 31<sup>st</sup> of December 2021, the General Assembly approved Board recommendation for a dividend of QR 0.11 per share, representing 11% of the nominal share value.

As for the financial year ended 31<sup>st</sup> of December 2022, the Board of Directors' recommendation for a dividend payment of QR 0.11 per share for 2022, representing 11% of the nominal value of share will be presented at the Company's General Assembly meeting that will be held on 12<sup>th</sup> of March 2023.

## 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.

## 2022 Corporate Governance Report

(Continued)

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

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

MPHC, based on the approval of the Company's Extraordinary General Assembly meeting held on 15<sup>th</sup> of March 2022, amended Article no. 20 "Restrictions on shareholding" of its Articles of Association to read as follows: "In the event that the Company is listed on Qatar Stock Exchange or on any regulated stock market, the Board of Directors may, by a Board resolution considering the applicable rules and regulations, determine the ownership percentage of non-Qatari shareholders up to one hundred percent (100%) of the shares listed on Qatar Stock Exchange or on any regulated stock market."

Accordingly, a decision was made by the Company's Board of Directors at its meeting held in April 2022 to increase the ownership limit for non-Qatari shareholders to 100%. All necessary measures were then taken in this regard with the relevant authorities. Pursuant to a decision made by the Council of Ministers in its meeting held on 12 October 2022, it was approved to increase the percentage of ownership of a non-Qatari investor in the Company's capital up to 100%.

Details of shareholdings in MPHC share capital could be obtained from Qatar Central Securities Depository as per the register of shareholders. Details of major shareholdings as at 29<sup>th</sup> of December 2022 are as follows:

Shareholder	Percentage of Shares (%)
QatarEnergy	65.41%
Qatar Investment Authority	1.07%
Al Watani Fund 3	0.60%
Government of the Republic of Singapore	0.54%
Vanguard Emerging Markets Stock Index Fund	0.49%
Vanguard Total International Stock Index Fund	0.46%
Military Pension Fund	0.44%
Other Shareholders	30.99%
<b>Total</b>	<b>100%</b>

MPHC relies on QCSD to obtain valid up-to-date record of shareholdings. As per the information obtained from QCSD as of 29<sup>th</sup> of December 2022, 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)

MPHC safeguards and ensures respect for the rights of the Company's stakeholders in accordance with QFMA Code. Each stakeholder may request the information related to his interest upon submitting a proof of identity. The Company is committed to provide the requested information in a timely manner and in a way that does not threaten others' interests or prejudice its interests.

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

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

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

## 6-7 Community right

MPHC listing on Qatar Stock Exchange was of a specific and unique nature, as shareholders would be given free incentive shares equivalent to 100% of their allocated shares in accordance with the mechanism outlined in the IPO prospectus, helping promote saving culture among Qatari nationals while ensuring that they receive maximum benefit from MPHC activities.

QatarEnergy, the founder, Special Shareholder and majority shareholder, completed the distribution of the first tranche of free incentive shares equivalent to 50% of the allocated shares to eligible shareholders who have fulfilled eligibility criteria as at the close of trading in Qatar Stock Exchange on Monday 31<sup>st</sup> of December 2018 in accordance with the mechanisms set forth in MPHC IPO Prospectus.

The free shares were allocated from QatarEnergy's stake, which decreased from 74.2% to 65.5%, a reduction of 8.7%. QatarEnergy relinquished approximately 109.3 million shares with a market value of QR 1.6 billion as at the close of trading in Qatar Stock Exchange on Monday 31<sup>st</sup> of December 2018. In addition, QatarEnergy waived the proposed dividends attached to these shares by the Board for the financial year ended 31<sup>st</sup> of December 2018.

The date of the second grant is scheduled to be on 31<sup>st</sup> of December 2023, provided that shareholders should keep 50% of the shares allocated to them at the time of subscription until the date of the second grant.

## 2022 Corporate Governance Report

(Continued)

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. Since its inception, MPHC has distributed dividends, totaling QR 6.8 billion, equivalent to QR 0.54 per share, taking into consideration the amended nominal share value, which is QR 1.

Through its joint ventures, 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, process safety management programs, enhancing process safety and promoting safety culture, HSE training, operational excellence, environment awareness programs and trainings, compliance with applicable laws and regulations, optimizing resources and minimizing emissions and waste through ongoing investment in environmental projects etc.
- b) People: Qatarization programs in line with QNV 2030 (partnership with educational institutions, internships, career fairs, trainings), employee retention, training and development, promoting health and fitness, sports activities and blood donation campaigns etc.
- c) Community: Enriching society and uplifting local communities are vital part of the Company's objectives. MPHC made efforts to promote community partnership, providing Qatari young people with educational opportunities and initiatives, fundraising campaigns, added value for business partners, ensuring customer satisfaction and approximately 80% of the total spending went for local procurement.

As part of the Company's dedication to constructive engagement with the stakeholders and reaffirming its continued commitment to the environmental and economic development, MPHC issued 2021 sustainability report, which is available on the Company's website ([www.mphc.com.qa](http://www.mphc.com.qa)). The sustainability aspects in the report are summarized and presented at a consolidated level for MPHC and its Group companies. The report represented an opportunity for MPHC to enlighten its stakeholders about the Group's sustainability journey and provided them with informative summaries of the Group's businesses from the perspective of governance, economic, social, and environmental aspects.

The group ensures that stakeholders' needs are fulfilled and continuously strives to enhance its systems to create value for its people, community, and the environment. With the application of many standards in pursuit of a sustainable future, the Group made many achievements during 2022, including but not limited to, managing environment with prevention programs viz., flaring reduction, waste minimization, energy optimization, chemicals management, near Zero Liquid Discharge (nZLD) project to reuse/recycle ~85% of the process wastewater after treatment. Group maintained reliable and safe operations with zero tier 1 & tier 2 process safety events, zero company responsible environment events, implemented localization procurement program "Tawteen" and other social programs impacting local communities such as Qatarization among others.

The Group's sustainability solutions have made it a role model for other petrochemical companies in the region. The Group's sustainability approach is aligned with Qatar National Vision 2030 (QNV 2030) to be a sustainable society that places high value on the environmental, economic, and human development matters.

### **The Social and Sport Contribution Fund**

Pursuant to Law no. 13 of 2008 as amended by Law no. 8 of 2011, a 2.5% of the Company's annual net profit is allocated to support sports, cultural, social and charitable activities. For the financial year ended 31<sup>st</sup> of December 2021, the 2.5% amounted to QR 46.5 million was contributed to support these activities (2020: QR 35.4 million). The deducted amount was credited in full to the account of the Social and Sport Contribution Fund on 21<sup>st</sup> of March 2022.

For the financial year ended 31<sup>st</sup> of December 2022, the Company has allocated QR 44.1 million, representing 2.5% of its 2022 net profits, to support these activities.

### **Conclusion**

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

The Board is satisfied that it has effectively discharged all of its duties and obligations and fulfilled its mandate during 2022 as set out in its Charter and relevant legislation. The Board exercises due care and diligence in managing the Company in an effective and productive manner to achieve the interest of the Company, all shareholders and stakeholders in a balanced manner.

**Ahmad Saif Al-Sulaiti**  
Chairman

# APPENDIX: BOARD OF DIRECTORS BIOS



## Appendix: Board of Directors Bios

(Continued)



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

Chairman

Non-Executive member / Non-Independent

#### **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 QatarEnergy in 1976. He has extensive management experience of large oil and gas fields operations in QatarEnergy. He has 38 years of extensive experience in Oil and Gas Fields Operations and Petrochemicals, Re-development of existing fields, Major projects commissioning, Organizational restructuring, Manpower management, and Economic evaluations and acquisitions.

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

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

- Chairman, Woqod
- Vice Chairman, Nakilat

**Number of shares in MPHC:** 49000

## Appendix: Board of Directors Bios

(Continued)



### **Mr. Mohamed Salem Al-Marri**

Vice Chairman

Non-Executive member / Non-Independent

#### **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 QatarEnergy in 1991 and held various engineering positions and was a member in projects task forces in Qatargas-1 LNG Venture and NGL-4 Project.

In 2002, he joined QatarEnergy 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, CTL, 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

## Appendix: Board of Directors Bios

(Continued)



### **Mr. Abdulaziz Jassim Al-Muftah**

BAC Member

Non-Executive member / Non-Independent

#### **Qualifications and experience:**

Mr. Abdulaziz Jassim Al-Muftah currently holds the position of EVP, Industrial Cities of QatarEnergy. He is the Chairman of the Board of Directors of Qatar Gas Transport Company (NAKILAT), Qatar Petrochemical Company (QAPCO), Qatofin Company, and Qatar Vinyl Company (QVC). In addition, he serves as Deputy Chairman in Woqod.

He previously held various positions in the Boards of Directors of each of Oryx GTL, Qatar Fuel Additives Company (QAFAC), AMWAJ Company, and ASTAD Company. He graduated from Miami University - USA with a Bachelor of Science in Electrical Engineering.

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

- Chairman of the Board of Directors of Qatar Gas Transport Company (NAKILAT)
- Deputy Chairman, Woqod

**Number of shares in MPHC:** 165620

## Appendix: Board of Directors Bios

(Continued)



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

Chairman of the Remuneration Committee

Non-Executive member / Non-Independent

#### **Qualifications and experience:**

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

He graduated as an Aeronautical Engineer and prior to joining QatarEnergy, 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:** 98000



## Appendix: Board of Directors Bios

(Continued)



### **Mr. Abdulrahman Ahmad Al-Shaibi**

BAC Chairman

Non-Executive member / Non-Independent

#### **Qualifications and experience:**

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

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

He also held the position of Manager, Project Finance / Director Finance – QatarEnergy.

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

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

Chairman, QAMCO

**Number of shares in MPHC:** 171500

## Appendix: Board of Directors Bios

(Continued)



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

BAC Member

Non-Executive member / Non-Independent

#### **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 QatarEnergy 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 QatarEnergy.

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

Board Director, QAMCO

**Number of shares in MPHC:** 800

## Appendix: Board of Directors Bios

(Continued)



**Mr. Ali Nasser Telfat**

Non-Executive member / Non-Independent

### **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 QatarEnergy 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.

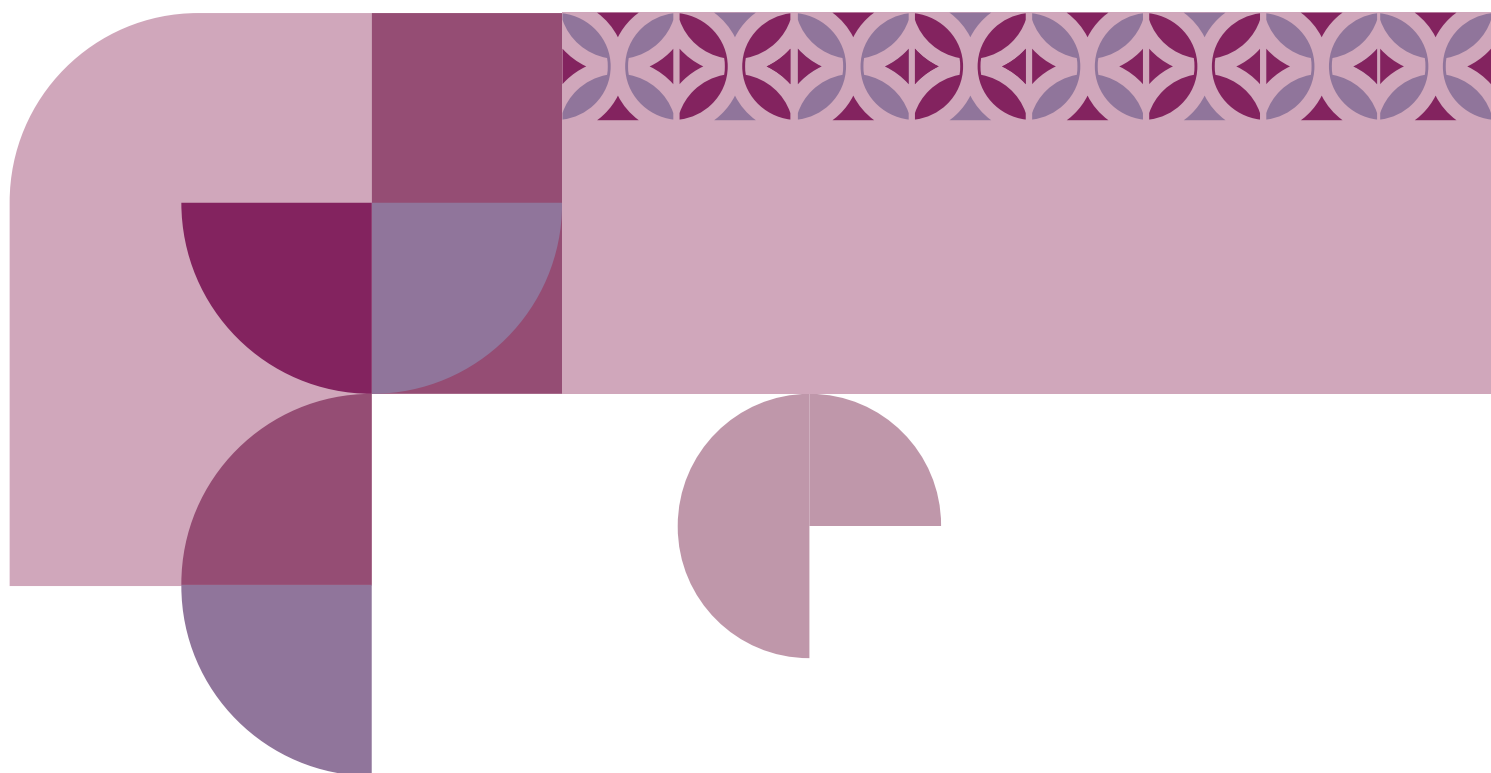
He also served as A/Manager of Public Relations and Communications, and as Director, Office of QatarEnergy's Chairman and Managing Director.

Mr. Telfat currently holds the position of Corporate Manager, Office of QatarEnergy'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 public shareholding companies. MPHC Board Directors may also have positions in other entities / companies.



شركة مسيعيد  
للبيروكيماويات  
القايزة

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