



CORPORATE GOVERNANCE REPORT 2019

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1. INTRODUCTION

Industries Qatar (hereinafter referred to as "IQ" or "the Company"), a Qatari public shareholding company listed on the Qatar Stock Exchange, was incorporated on April 19, 2003 in accordance with the provisions of its Articles of Association and Law no. 5 of 2002, promulgating the Commercial Companies Law, especially Article 68 thereof. Subsequently, the Company settled its status and brought its Articles of Association into conformity with the provisions of Law no. 11 of 2015, promulgating the Commercial Companies Law, and in line with the specific nature of its incorporation.

Qatar Petroleum, the founder, special shareholder and 51% majority shareholder, provides Industries Qatar with all the financial and head office services under a service-level agreement. IQ therefore applies some of QP's rules and procedures. As part of its Board of Directors' efforts aimed at complying with the principles of corporate governance and applying industry-standard best practices, IQ had made an agreement with a consultant to develop a Corporate Governance Framework, which was approved by the Board of Directors at its fourth meeting of 2011 held on 26/12/2011.

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

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

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

3. BOARD OF DIRECTORS 3-1 BOARD STRUCTURE

Industries Qatar was established by Qatar Petroleum, a Qatari state-owned public corporation established by Decree Law no. 10 of 1974, as a parent company of a group of companies that have been operating for decades in the petrochemical, fertilizers and steel industries. Industries Qatar went public by Qatar Petroleum in 2003 to serve as a mechanism for the distribution of wealth to Qatari nationals. This was primarily achieved via the discounted IPO price. All shareholders receive generous dividends in proportion to their existing shareholdings.

Recognizing the specific nature of IQ's activities and its strategic position as one of the main pillars of Qatar's economy and taking into account the public interest, the Board shall, in accordance with the Company's Articles of Association, consist (contrary to the provisions of Article no. 5 of QFMA Governance Code) of up to eight (8) Directors, all of whom may be appointed by the special shareholder (Qatar Petroleum) for the following reasons that show how closely the Company's financial and operational performance is connected to Qatar Petroleum, making it vital to maintain aligned strategy and vision:

- Qatar Petroleum is the founder, special shareholder and 51 % majority shareholder.
- Industries Qatar and its subsidiaries depend on Qatar Petroleum for supply of feedstock and infrastructure.
- Industries Qatar and its subsidiaries depend on Qatar Petroleum for technical and technological support.
- Qatar Petroleum provides all financial and head office services to the Company under a service-level agreement.

These services are provided as and when requested to ensure that the operations of Industries Qatar are fully supported.

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

3-2 BOARD COMPOSITION

Directors are appointed for renewable terms of three (3) years or such shorter periods (being no less than one (1) year). Pursuant to Qatar Petroleum's decision no. 6 of 2018 dated 08/03/2018, IQ Board of Directors was reconstituted in accordance with Article no. 22 of the Company's Articles of Association (contrary to the provisions of Article no. 6 of QFMA Governance Code). Accordingly, seven (7) Directors were appointed by Qatar Petroleum with effect from 05/03/2018. According to the definition of the independent Director in QFMA Governance Code, IQ 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. The Board is composed of five (5) Executive Directors and two (2) Non-Executive Directors as described in the Appendix on the Board of Directors Bios.

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

Qatar Petroleum appoints only qualified and eligible Board Directors who are sufficiently experienced to perform their duties effectively in the best interest of the Company and dedicated to achieving its goals and objectives. Qatar

Petroleum ensures that all of its representatives in the group companies had the appropriate training and awareness programs so that group companies' boards of directors can achieve the highest levels of performance and adopt the best governance practices.

Qatar Petroleum makes timely disclosure of its decisions on Board formation or any change thereto (Directors' bios are attached).

3-3 KEY ROLES AND RESPONSIBILITIES OF THE BOARD

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

According to Board Charter, which is available on the Company's website, the Board provides the strategic direction to IQ by reviewing the Company's vision and mission, approving and supervising the implementation of the Company's strategic directions, main objectives and business plans. The Board develops and supervises proper internal control systems and risk management, ensuring that effective Executive Management is in place and in succession, and that it achieves IQ's goals and objectives to increase value in a profitable and sustainable manner.

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

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

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

3-4 BOARD CHAIRMAN

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

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

The Chairman is not a member of any Board Committee referred to in QFMA Governance Code. IQ Chairman also serves (contrary to Article no. 7 of QFMA Governance Code) as the Company's Managing Director. Industries Qatar is the parent of a group of companies that operate in distinctive industries and its activities are not of executive nature, thus the reasons to separate between the positions of the Chairman and the Managing Director cease to exist. However, the main purpose of separating the two positions is taken into consideration as follows:

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

3-5 BOARD DIRECTORS

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

3-6 BOARD MEETINGS

The Board of Directors convenes for the conduct of business, adjourn and otherwise regulates its meetings as it thinks fit. The Board shall meet at least six (6) times during the Company's fiscal year, and a three-month period may not lapse without a meeting of Board. Board meeting shall not be valid unless attended by the majority of Directors thereof, provided that the Chairman or the Vice Chairman is amongst them. In accordance with Article 31-1 of the amended Articles, the Board has met for the required number of times in 2019.

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

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

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

3-7 BOARD RESOLUTIONS

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

As for resolutions in writing by circulation, 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 Board Secretary 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/her authority and his/her annual remuneration.

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

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

The current Board Secretary has a legal experience that spans more than 13 years. In addition, the Secretary has long experience in handling the affairs of listed companies.

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

3- 9 BOARD COMMITTEES

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

3-9-1 AUDIT COMMITTEE

The Board Audit Committee (BAC) was formed pursuant to Board resolution no. 7 of the fourth meeting of IQ Board of Directors of 2011. The current BAC was formed by virtue of resolutions nos. 3 and 5 of 2018 following Board reconstitution. The BAC presently comprises of 3 members, chaired by a Board Director, all of whom have the required experience necessary to effectively perform their duties and exercise the functions of the Committee. Committee Chairman is not a Chairman or a member of any other Committee.

According to the definition of the independent member in QFMA Governance Code, the composition of the BAC does not include independent members (contrary to Article no. 18 of QFMA Governance Code), as they are members of the Board of Directors appointed by the special and majority shareholder (owning 51%). No one of the current members has directly or indirectly conducted external audit for the Company during the two years prior to their membership in the Committee.

BAC Terms of Reference, which form part of the Corporate Governance Framework, were prepared in line with QFMA Governance Code and the industry-standard best governance practices. Committee responsibilities include financial aspects, external and internal audits, internal controls, compliance, risk management and all other aspects within the competence and mandate of the Committee.

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

Committee meeting agendas for 2019 covered the following:

1. Approve the external auditor's report on the consolidated and standalone financial statements for the financial year ended December 31, 2018.
2. Review the consolidated and standalone financial statements for the financial year ended December 31, 2018.
3. Endorse the appointment of the external auditor for the financial year ending December 31, 2019.
4. Endorse 2018 Corporate Governance Report.
5. Endorse the Company's General Assembly meetings' materials and related regulatory filings prior to release, and consider the accuracy and completeness of the information as applicable.
6. Review and endorse the consolidated financial statements for the financial period ended March 31, 2019 and present the executive summary report.
7. Review and endorse the consolidated financial statements for the financial period ended June 30, 2019.
8. Review and endorse the consolidated financial statements for the financial period ended September 30, 2019 and present the executive summary report.
9. Review internal audit activities, status of the audit plan and related corrective actions.
10. Review COSO gap analysis /ICoFR test of design.
11. Conduct an annual self-assessment of the performance of the Committee.
12. Approve the floating of a new tender for outsourcing of internal audit.

In accordance with Committee's Terms of Reference, the meeting of the Committee shall be valid only in the presence of the Committee Chairman and a majority of its members. Minutes of meeting shall be prepared for each meeting and signed by all members and representatives present at the meeting. In accordance with the Committee's amended Terms of Reference, Committee holds at least (6) meetings a year. During 2019, Committee met 6 times.

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

Name of BAC member	Role
Mr. Abdulaziz Mohammed Al-Mannai	Chairman
Mr. Abdulla Ahmad Al-Hussaini	Member
Mr. Ayoub Olia	Member

All BAC members are IQ Board Directors except for Mr. Ayoub Olia who serves as QP Corporate manager - Internal Audit. Mr. Olia has long and extensive experience required to properly carry out his duties and effectively perform the functions of the Committee.

3-9-2 REMUNERATION COMMITTEE

As part of its efforts to comply with the provisions of QFMA Governance Code, the Company had established a Remuneration Committee pursuant to Board resolution no. 1 of 2018. Committee was reconstituted on 10/02/2019 pursuant to resolution no. 1 of 2019. Committee presently comprises of three members, chaired by a Board Director. The other two members also have the required experience to efficiently carry out their duties and perform the functions of the Committee. Committee Chairman is not a Chairman of any other Board Committee, and the BAC Chairman cannot be a member of the Remuneration Committee.

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

In determining the proposed remuneration, Committee takes into account the duties and responsibilities of Board Directors and members of the senior Executive Management, the Company's performance and benchmarks with the best practices of the similar companies listed on the Qatar Stock Exchange. Committee reports to the Board of Directors on its activities, issues and raises recommendations.

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

REMUNERATION OF BOARD OF DIRECTORS

The Company has developed a periodically revisited remuneration policy for Board Directors. The policy has fixed component for Board Directorship and attending meetings and performance-related variable component. The main principles of this policy are set forth in the Corporate Governance Framework. In accordance with the Company's Articles of Association, the proposed remuneration of Directors shall be presented to and approved by the General Assembly.

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

REMUNERATION OF SENIOR MANAGEMENT

All financial, administrative and head office services are provided by resources from Qatar Petroleum under a service-level agreement. Accordingly, the salary of the Company's Managing Director, who represents the Executive Management of Industries Qatar, is determined and approved by the Company's Board of Directors. IQ Managing Director is not entitled to receive remuneration in his capacity.

Committee presently comprises of three members. A meeting was held on 11/2/2019 to consider the proposed remuneration of the Board of Directors for the financial year ended 31 December, 2018. Board remuneration was approved by the General Assembly held on 05/03/2019 with a total amount of QR 7,750,000 for all Board Directors. As for Board Committees, no remuneration or allowance is paid for membership or attending meetings. The members of the Committee are:

Name of Committee member	Role
Mr. Abdulla Ahmad Al-Hussaini	Chairman
Mr. Abdulrahman Al-Suwaiddi	Member
Mr. Mohammed Jaber Al-Sulaiti	Member

All Committee members are IQ Board Directors except for Mr. Mohammed Jaber Al-Sulaiti who serves as the Manager of the Privatized Companies Affairs Department, Qatar Petroleum. Mr. Al-Sulaiti has long and extensive experience that is required to properly carry out his duties and effectively perform the functions of the Committee.

3-9-3 NOMINATION COMMITTEE

No Nomination Committee was established (contrary to Article no. 18 of QFMA Governance Code), as IQ Board of Directors, in accordance with the Company's Articles of Association, consists of up to eight (8) Directors, all of whom may be appointed by the special shareholder (Qatar Petroleum) for many reasons mentioned above that show how closely the Company's financial and operational performance is connected to Qatar Petroleum.

3-10 ASSESSMENT OF BOARD PERFORMANCE

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

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

In its meeting for 2019, the Remuneration Committee will review Board self-assessment and report any observation in this concern to the Board.

During 2019, the Board has performed the tasks and dispensed business decisions within its authorities as provided in Board Charter. Directors had no grievances or complaints. All proposals were discussed during Board meetings and necessary relevant actions were taken, whether corrective or reinforcing. The Board is satisfied that it and the Senior Executive Management have effectively discharged all of their duties and obligations.

4- COMPANY'S CONTROL SYSTEM

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

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

To ensure that best standards are applied in developing internal control systems, Board Audit Committee has decided that the Internal Auditor should conduct a benchmarking study of the components of the Company's current internal control system against the internationally recognized COSO Internal Control – Integrated Framework (2013) with a view to apply it as a benchmark Framework. COSO Internal Control – Integrated Framework (2013) consists of inter-related components, which are control environment, risk assessment, control activities, information and communication and monitoring.

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

1. Safeguard IQ'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 IQ's financial reporting is to be in line with the highest professional standards and to be full, fair, accurate, punctual and understandable.

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

Further, to comply with the provisions of Article no. 4 of QFMA Governance Code, Industries Qatar should:

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

To achieve this, the Company has requested the Internal Auditor to evaluate and assess the Company's internal controls over financial reporting as a management support. A top down approach was used in designing and testing of the Company's framework wherein it begins at the financial statement level and with the understanding of the overall risks to internal controls over financial reporting.

The Internal Auditor team completed a risk assessment of business processes based on the IQ's 2018 standalone financial statements. Risk assessment involved application of "Materiality" on IQ's 2018 standalone financial statements (considering the qualitative and quantitative factors), based on external auditor input and the best practices to determine the significant accounts, disclosures, their relevant assertions and applicable business processes within the Company for controls identification, evaluation and testing.

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

RISK ASSESSMENT:

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

PERFORM WALKTHROUGH:

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

These internal controls are grouped as follows:

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

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

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

TEST OF INTERNAL CONTROLS

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

TEST OF DESIGN EFFECTIVENESS

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

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

TEST OF OPERATING EFFECTIVENESS

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

EVALUATING IDENTIFIED DEFICIENCIES:

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

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

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

A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operating effectiveness exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

REMEDIATION TESTING:

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

Based on its assessment of the Company's current internal controls over financial reporting and Testing of Design and Operating Effectiveness, the Internal Auditor believes that the Company has developed an appropriate internal control framework that meets the requirements of the internal control over financial reporting.

Further, Internal Auditor and IQ Senior Management believe that the developed framework is suitable to form the basis for compliance with the requirements of Qatar Financial Markets Authority in this regard.

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

4-1 RISK MANAGEMENT

As a service provider under a service-level agreement, Qatar Petroleum' rules and regulations on risk management are applied. However, the Board of Directors endeavors to maintain an appropriate risk management framework. Risk management is an integral part of the governance of the Company as expected by shareholders.

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

- Risk identification and assessment involve identifying and assessing all risks facing the Company. Risks are classified into four main categories: strategic, operational, financial and compliance related. For each risk, there must be measures to address it effectively, as well as a set of indicators to monitor changes in the overall risk structure and landscape. 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

Industries Qatar periodically floats a tender for the engagement of an independent consultant to provide internal audit services in accordance with the tendering procedures. Offers are received by a formed Tender Committee. Upon considering the technical and commercial offers, the Tender Committee makes its recommendations to the relevant officials on selecting the appropriate consultant. A consultant was appointed on 12/4/2016 for three years to provide the Company and its subsidiaries, as instructed by the Board Audit Committee and in accordance with the audit plan, with internal audit services as a "service provider". Following the completion of the agreement, IQ floated a new tender for the engagement of an independent consultant to provide internal audit services.

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

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

Internal audit reports are prepared by the Internal Auditor in accordance with the international auditing standards. All reports and recommendations are quarterly presented by the Internal Auditor to the BAC and subsequently submitted to the Company's Board of Directors as part of the BAC periodic report on audit results, follow up and current status of the Executive Management' plans of the corrective actions to address any weaknesses in the internal controls, risk assessment results and the applied systems. The Executive Management shall receive a copy of the report to take the necessary corrective actions as instructed by the Board Audit Committee.

During the contractual period, the Internal Auditor conducted internal audits on 18 entities (IQ and its subsidiaries/joint ventures) during the period 2016-2019. The internal audit scope, which was based on risk assessment, encompassed a wide range of areas across these entities that covered core operations (production, maintenance, inventory, industrial control systems etc.), and support functions (viz., finance and accounts, human resources, information technology, health, safety & environment, administration, procurement, legal and corporate governance etc.)

The Internal Auditor continuously assessed for the implementation status of corrective actions (post issuance of final audit report on each entity) observed across all the entities and reported the status to IQ's Board Audit Committee on a quarterly basis. All significant observations that had been reported by the Internal Auditor were actioned in a timely manner. In addition, the Internal Auditor conducted a quality assessment review of the in-house internal audit functions of IQ's subsidiaries and joint ventures in 2019. The Internal Auditor concluded that the quality assessment outcome indicated that the internal audit function at IQ's subsidiaries and joint ventures met the expectations of IQ's Board Audit Committee and Management.

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

4-2-2 EXTERNAL AUDIT

The Board Audit Committee considers 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. Immediately after the Board approves the recommendation, it shall be included in the agenda of the Company's General Assembly.

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

The Company floated a tender for the appointment of an External Auditor from 2019. The recommendation of the committee, which was formed in accordance with the Company's tender procedures, was presented at the meeting of the annual Ordinary General Assembly held on 5/3/2019. The Assembly approved the appointment of Deloitte as the Company's External Auditor for the year 2019 for annual fee of QR 306,800.

Taking into account the provisions of Article no. 24 of QFMA Governance Code, the scope of the work of the External Auditor covered internal control and performance assessment, particularly with regard to appropriateness and effectiveness of the applicable internal control systems and internal controls over financial reporting and Company's adherence to its Articles of Associations and compliance with the provisions of the Law and QFMA's relevant legislations, including the provisions of the Governance Code for Companies and Legal Entities Listed on the Main Market. The External Auditor's report for 2019 in this regard will be submitted to QFMA and the Company's management to take the required corrective actions, if any.

The External Auditor provides assurance that the financial statements were properly and fairly prepared in accordance with the international accounting and auditing standards. The External Auditor reports on observations made on significant financial issues and applied financial controls. The External Auditor attended and submitted their report to the General Assembly of 2018 held on 05/03/2019.

Moreover, the External Auditor, PricewaterhouseCoopers – Qatar, presented their report on key accounting and auditing matters to the Board for the financial year ended 31/12/2018. In addition, the Auditor submitted an independent report on the adequacy of the internal controls over financial reporting and related assessment, in which they noted that the internal controls over financial reporting for the substantial processes were not properly designed in accordance with COSO Framework as at 31/12/2018.

The External Auditor also submitted an independent report on the extent to which the Company is complying with its Articles of Association, in which they reported that nothing had come to their attention to cause them to believe that the management assessment of compliance with QFMA requirements did not present fairly, in all material respects, Company's compliance with QFMA Code, relevant legislation and its Articles of Association as at 13/12/2019.

4-3 COMPLIANCE

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

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

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

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

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

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

At group companies level, which is not the subject of the report, each company is independently managed, in accordance with the agreements under which it was established with other partners, by a Board of Directors having the necessary powers to manage and exercise its duties in full accordance with its fiduciary responsibility, guaranteeing the protection of all shareholder rights of different classes.

Each company also has its own systems and internal controls, including risk management systems, which are overseen by the group company's Board of Directors, Board committees and other relevant executive committees, such as audit committees, institutional risk management committees and governance and compliance committees. All of this contributes positively to creating a control environment in line with the best standards and practices.

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

5. DISCLOSURE AND TRANSPARENCY

5-1 DISCLOSURE

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

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

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

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

5-2 CONFLICT OF INTEREST

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

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

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

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

5-3 TRANSPARENCY AND UPHOLDING THE INTEREST OF THE COMPANY

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

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

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

Moreover, Directors and employees / service providers understand that all information related to Industries Qatar, its subsidiaries and customers is confidential and only used for the Company's purposes. Using such information for personal or family purposes or for other benefits is considered unethical and illegal conduct.

5-4 DISCLOSURE OF SHARE TRADING

The Company adopted procedures and rules that govern insider trading. These procedures and rules take into account the definition of the insider, whether permanently ex officio or temporarily in carrying specific duties for the Company. By virtue of his office, the insider has access to material information about the Company that could have a positive or negative impact on the investment decisions that can be taken by those who trade Company's share at Qatar Stock Exchange.

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

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

6- STAKEHOLDER RIGHTS

6-1 EQUAL RIGHTS OF SHAREHOLDERS

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

The Company's Articles of Associations and bylaws provide for the procedures and guarantees needed for all shareholders to exercise their rights, particularly the rights to receive the determined dividends, attend the General

Assembly and participate in its deliberations and vote on decisions, as well as the right to access information and request it with no harm to the Company's interests.

The Company amended its Articles of Association, as approved by the Extraordinary General Assembly meeting held on 04/03/2018, by adding a provision on shareholder's right to sell shares as follows:

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

6-2 REGISTER OF SHAREHOLDERS

The register of shareholders is managed in accordance with the rules and procedures of Qatar Stock Exchange. The register of shareholders is kept and updated by Qatar Central Securities Depository (QCS). Under the agreement between Industries Qatar and QCS, 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 and bylaws provide for the procedures to be followed by shareholders for accessing information permitted to be disclosed to enable them to exercise full rights without prejudice to other shareholders' rights or adversely affect the interests of the Company.

The Board of Directors and the Company's employees are making efforts to establish constructive relationship and maintain communication with shareholders and investors so that they can make the right investment decision by:

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

(f) Making and maintaining strong partnerships with newspapers and other media.

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

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

6-4 SHAREHOLDER RIGHTS TO GENERAL ASSEMBLY

6-4-1 ATTENDANCE AND INVITATION

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

- The right of the registered shareholder to attend the General Assembly meeting, in person or by a proxy or legal deputy, at the end of trading session on the day on which the General Assembly is convened.
- The right to participate in deliberations and vote on such matters on the meeting agenda.
- The right of the shareholder to appoint by a proxy executed in writing another shareholder who is not a Director to attend the General Assembly on his behalf; provided that shareholder by proxy shall not own more than (5%) of the Company's share capital.
- The right of the shareholder (s) who owns at least (10%) of the Company's share capital, for serious grounds, to request an invitation to convene General Assembly. The right of the shareholders representing at least (25%) of the Company's share capital to invite Extraordinary General Assembly to convene pursuant to the procedures prescribed by the Law and the regulations in this regard.

6-4-2 EFFECTIVE PARTICIPATION

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

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

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

For 2019, the agenda of the Ordinary General Assembly meeting included the following:

1. Chairman's message for the financial year ended December 31, 2018.
2. Board of Directors' Report on IQ's operations and financial performance for the financial year ended December 31, 2018, and the future plans of the Company.
3. Present and approve External Auditor's Report on IQ's consolidated financial statements for the financial year ended December 31, 2018.
4. Approve IQ' financial statements for the financial year ended December 31, 2018.
5. Approve 2018 Corporate Governance Report.
6. Approve the Board's recommendation for a dividend payment of QR 6 per share for 2018, representing 60% of the nominal share value.
7. Absolve the Directors of the Board from liability for the year ended December 31, 2018 and determine their remuneration.
8. Appoint an external auditor for the financial year ending December 31, 2019 and determine their fees.

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

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

6-4-3 ELECTION OF BOARD DIRECTORS

As previously indicated, IQ Board of Directors, in accordance with the Company's amended Articles of Association, consists of up to eight (8) Directors, all of whom may be appointed by the special shareholder (Qatar Petroleum). Accordingly, the Company's AoA make no explicit provisions on the election of Directors and the procedures for nomination, voting and appointment.

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

6-4-4 DIVIDEND DISTRIBUTION

In accordance with the provisions of the Company's Articles of Association amended by the resolution of the Extraordinary General Assembly held on 28/02/2017, pursuant to the resolution of the Extraordinary General Assembly held on 04/03/2018 and without prejudice to the Company's ability to fulfill its obligations towards third parties and pursuant to a resolution of the General Assembly, dividends of not less than five (5) percent of the net profits of the Company after deducting legal deductions shall be distributed to registered shareholders at the end of trading session on the day on which the General Assembly is convened, provided that the dividend shall not exceed the amount recommended by the Board.

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

In general, such policy requires the Company to balance shareholders' expectations with its operational and investment needs by considering the following factors before presenting the proposed dividend distribution to the General Assembly:

- Cash flow constraints: It is not obligatory on IQ to distribute full profit to the shareholders. IQ shall keep sufficient cash for its operational requirements before dividend distribution.
- Lenders Constraints: IQ 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 IQ shall be considered and sufficient cash shall be retained before dividend distribution unless it has been decided to fund the investment through additional share capital or bank financing.

The proposed annual dividend distribution is subject to the final approval of the General Assembly.

The Company, through its agreement with a local bank, makes it easier for the entitled shareholders to claim dividends for the current year and previous years. Shareholders can visit any of the bank branches to receive their dividends in cash, transfer these dividends to their accounts or receive dividend cheques.

The Company's website is updated with the required documents all related details to claim dividends.

As for the resolution of the General Assembly for the financial year ended 31/12/2018, the Assembly approved the Board's recommendation for a dividend payment of QR 6 per share for 2018, representing 60% of the nominal share value.

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 Associations, 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 the Articles in this regard.

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

With the exception of some selected entities identified in the Company's Articles of Association, no person or entity, shall hold either directly or indirectly (or be beneficially entitled to) shares of a nominal value exceeding 2% of the Company's capital. The maximum ownership of the company's share capital is 2%. Qatar Central Securities Depository (QCS), the entity charged with managing the register of the Company's shareholders, ensures that this maximum ownership limit is maintained.

Moreover, the Company convened an Extraordinary General Assembly meeting on 04/03/2018 to amend its Articles of Association by adding an article on the mechanism for determining the Non-Qatari ownership percentage to a maximum of forty- nine percent (49%) of the portion of the shares listed on the Qatar Stock Exchange.

Details of shareholdings in IQ share capital could be obtained from Qatar Central Securities Depository as per the register of shareholders. Details of major shareholdings as of 31 December, 2019 are as follows:

Shareholder	Percentage of Shares (%)
Qatar Petroleum	51.00%
Pension Fund - General Retirement and Social Insurance Authority	16.08%
Military Pension Fund	4.96%
Qatar Investment Authority	2.20%
Qatar Electricity and Water Company	1.78%
Other Shareholders	23.98%
Total	100%

IQ will continue to rely on QCSD to obtain valid up-to-date record of shareholdings. As per the information obtained from QCSD dated 31 December 2019, no shareholder has exceeded the limit specified in the Company's Articles of Association, except as expressly provided therein.

6-6 STAKEHOLDER RIGHTS (NON-SHAREHOLDERS)

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

A whistleblowing policy and related procedures were adopted within the Company's Corporate Governance Framework to disclose any wrongdoing that may adversely impact the Company, its customers, shareholders, employees or the public at large. Under the policy, IQ 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) 4013-2801 was established and provided on the Company's website (www.iq.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.

Industries Qatar 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. IQ 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

Industries Qatar, as one of the largest industrial conglomerates in the region and listed on the Qatar Stock Exchange, works towards achieving economic and operational integration among its group companies in support of the

State's strategy of national economic development. Through its group companies, IQ contributes significantly to the comprehensive economic development, social welfare, environmental protection, job creation, and more importantly, enriching the lives of Qataris through initiatives in areas such as:

1. Health, Safety and Environment: safety culture, emergency preparedness, occupational health, HSE training, operational excellence, energy efficiency, environment management and environmental compliance etc.,
2. People: Qatarization programs (partnership with educational institutions, internships, career fairs), employee retention, training and development, promoting health and fitness and sports activities etc., and
3. Society: local procurement, sponsorships and donations etc.,

Qatar Petroleum, the founder and special shareholder, ensures, through its technical and head office support provided to IQ and its group companies, that only appropriate investment opportunities which could add financial, economic, social and environmental value are explored in support of the country's pursuit of economic diversification.

From its incorporation to-date, the Company has invested more than QR 30 billion in various investment projects, resulted in a total dividend of QR 50.97 billion or QR 8.2 per share (taking into consideration the amended nominal value of the share to become one (1) Qatari Riyal), with an average payout ratio of approximately 64%. Moreover, 10% bonus shares were issued on two occasions, resulted in an increase of the share capital from 5 billion to 6.05 billion shares.

Moreover, a 2.5% of the Company's annual net profit is allocated (pursuant to Law no. 13 of 2008) to support sports, cultural and social activities. For the financial year ended 31/12/2018, an amount of QR 125 million was contributed to support these activities.

CONCLUSION

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

The Board is satisfied that it has effectively discharged all of its duties and obligations and fulfilled its mandate during 2019 as set out in its Charter and relevant legislation. The Board exercises due diligence and care in managing the Company in an effective and productive manner to achieve the interest of the Company, all shareholders and stakeholders in a balanced manner.

Saad Sherida Al-Kaabi
Minister of State for Energy Affairs,
Chairman and Managing Director

APPENDIX

BOARD OF DIRECTORS BIOS

His Excellency Mr. Saad Sherida Al-Kaabi Chairman and Managing Director



Mr. Saad Sherida Al-Kaabi joined Qatar Petroleum in 1986 as a student studying Petroleum & Natural Gas Engineering at Pennsylvania State University in the USA, from which he graduated in 1991 with a Bachelor of Science degree in Petroleum & Natural Gas Engineering.

In 2006, he was appointed as the Director of Qatar Petroleum's Oil & Gas Ventures Directorate, where he was overseeing all of Qatar's oil and gas fields' developments as well as all the exploration activities in Qatar.

In September 2014, Mr. Al-Kaabi was appointed as Qatar Petroleum's President and Chief Executive Officer, where he oversaw Qatar Petroleum's gas, oil and petrochemical developments in Qatar and internationally.

On November 4, 2018, His Excellency Mr. Saad Sherida Al-Kaabi was appointed Minister of State for Energy Affairs and Cabinet member of the State of Qatar, and Deputy Chairman of Qatar Petroleum, in addition to his position as President & CEO.

Other positions**:

Chairman, Qatar Electricity & Water Co.

Number of shares in IQ:

Nil

Mr. Abdulaziz Mohammed Al-Mannai Vice Chairman Chairman of the Board Audit Committee Non-Executive member / Non-Independent



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

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

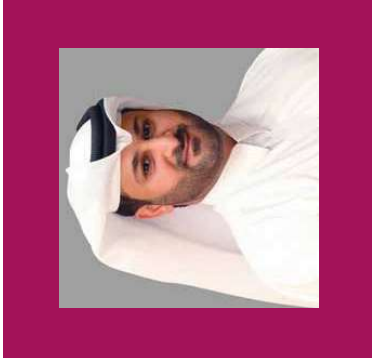
Other positions**:

MPHC Board Director

Number of shares in IQ:

Nil

Mr. Abdulla Ahmad Al-Hussaini
Member of the Board Audit Committee
Chairman of the Remuneration Committee
Non-Executive member / Non-Independent



Mr. Abdulla Al-Hussaini earned his Bachelor's degree in Business Studies from the University of Texas at Arlington in 2004.

Mr. Al-Hussaini currently holds the position of Qatar Petroleum's Executive Vice President – Marketing. Prior to joining QP in September 2016, he worked for Qatargas where he held several LNG Marketing roles, including Marketing Director from 2011 to 2016.

Mr. Al-Hussaini was a member of the International Gas Union Executive Committee and the State of Qatar representative to Organization of the Petroleum Exporting Countries (OPEC).

In addition to his current role, Mr. Al-Hussaini is the Chairman of Muntajat Audit Committee. He is also a Board Member of both Qatar Petroleum for the Sale of Petroleum Products and Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat). He previously served as a Board Member of Nebras Power, based in Doha.

Other positions*:

Nil

Number of shares in IQ:

Nil

Dr. Mohammed Yousef Al-Mulla
Member/Executive



Dr. Mohammed Yousef Al-Mulla graduated with a Bachelor's Degree in Electrical Engineering from Pennsylvania State University, United States, in 1988. He earned a Master's degree in Business Administration in 1997 and a Ph. D. in Engineering in 2007 from Leicester University in the United Kingdom.

Dr. Al-Mulla joined QAPCO in 1988 and held many strategic positions. He was appointed CEO in 2007. Under his leadership, the company achieved major milestones in the fields of production, Qatarization process, sustainable development and research, propelling QAPCO from a local petrochemical producer to a leading petrochemical powerhouse recognized in global markets.

Other positions*:

Nil

Number of shares in IQ:

Nil

Mr. Abdulrahman Al-Suwaidi
Member of the Remuneration Committee
Member/Executive



Mr. Abdulrahman M. Al-Suwaidi holds a degree in Chemistry from Qatar University as well as a Higher National Diploma in Mechanical Engineering from Bradford University in England.

Mr. Al-Suwaidi is currently the CEO of Qatar Fertiliser Company (QAFCO).

He joined Qatar Petroleum in 1987 and held a variety of technical and operational posts in Qatar Petroleum's onshore operations.

Between 1998 and 2007, Mr. Al-Suwaidi held two managerial positions responsible for QP's gas processing & gas distribution facilities in Mesaieed and subsequently gas production and reinjection facilities located offshore and in Dukhan. His responsibilities during this period included production and maintenance operations, inspection and engineering.

In January 2007, he was seconded to ORYX GTL as the Deputy General Manager overseeing the management of the world's largest LIFT GTL plant. In January, 2009, he was appointed as ORYX GTL's CEO.

Mr. Al-Suwaidi is also serving as Chairman of the Board of Directors for Qatar Chemical Group Companies Ltd, Member of the Board of Directors of QAFCO and Muntajat. He is also a Member of the National Human Rights Committee (NHRC).

Other positions*:

Nil

Number of shares in IQ:

1210

Mr. Khalid Sultan Al-Kuwari
Member/Executive



He has a B.Sc. in Natural Gas Engineering from Texas A&M University-Kingsville in 1997, and an EMBA from HEC-Paris in Doha in 2014.

Khalid Sultan Al-Kuwari has been appointed as CEO of Qatar Fuel Additives Company (QAFAC) on April 2017.

Before joining QAFAC, Khalid spent 20 years with RasGas. As Chief Marketing & Shipping Officer, he led the group responsible for RasGas' global LNG commercial and marketing activities, economic and market analysis, production planning, and shipping operational and scheduling activities.

Khalid joined RasGas in 1997 as a Petroleum Engineer and has held leading positions in the company's Reservoir Engineering, Petroleum Operations and Technical Planning departments. In 2003, he was assigned to LNG Marketing as Marketing Manager and as a member of the RasGas Marketing Committee. In 2007, Khalid was appointed Marketing Executive, and his scope of responsibilities further expanded in 2011 to include Production Planning and Allocation, Sales Contract and the management of the RasGas shipping activities with a fleet of 27 LNG carriers.

Mr. Al-Kuwari is a Board Director of QAFAC, Muntajat, and the Vice Chairman of the board for Gulf Drilling International. He was also a Board Director for Qatalum, South Hook Gas (UK) and Adriatic LNG (Italy).

Other positions*:

Nil

Number of shares in IQ:

Nil

Mr. Mohammed Nasser Al-Hajri
Member/Executive



Mr. Mohammed Nasser Al-Hajri holds a Master's degree in Gas Engineering from University of Salford in the United Kingdom and Bachelors' degree in Chemical Engineering from Qatar University.

He joined Qatar Petroleum in 1991 and brings a wealth of experience over more than twenty seven (27) years of experience in upstream and downstream.

Mr. Al- Hajri held different leadership roles in Qatar Petroleum (QP) and his last position was Executive Vice President of Downstream Development Directorate of Qatar Petroleum and Vice Chairman of Industries Qatar Co. He is currently the Managing Director and Chief Executive Officer (MD&CEO) of Qatar Steel Company, the Chairman of Ras Girtas Power Company, the Chairman of Qatar Fuel Additives Company (QAFAC), in addition to memberships in other companies' Board.

Other Positions*:

Nil

Number of shares in IQ:

6077

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