Annual Report 2021

صناعات قطر
Industries Qatar

Disclaimer

The companies in which Industries Qatar Q.P.S.C. directly and indirectly owns investments are separate entities. In this annual report, "IQ" and "the Group" are sometimes used for convenience in reference to Industries Qatar Q.P.S.C.

This report may contain forward-looking statements concerning the financial condition, results of operations and businesses of Industries Qatar 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 realization 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 report.

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"Capturing benefits of strong commodity price environment and reporting strong performance, while achieving operational excellence remained a key objective for the Group"

Mission

Industries Qatar (IQ) is committed to increase production capacity and widen its industrial products range by broadening its business/investment portfolio to help sustain profitable growth and satisfy shareholder expectations.

Vision

IQ aims to be a leading and recognized player in producing the highest quality industrial products through its growth-driven portfolio that generates profitable returns and creates value for its shareholders.

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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

His Excellency Mr. Saad Sherida Al-Kaabi

Minister of State for Energy Affairs, Chairman and Managing Director of Industries Qatar

Mr. Abdulaziz Mohammed Al-Mannai

Vice Chairman

Mr. Abdulla Ahmad Al-Hussaini

Board member

Dr. Mohammed Yousef Al-Mulla

Board member

Mr. Abdulrahman Mohammed Al-Suwaidi

Board member

Mr. Ahmed Abdulqader Al-Ahmed

Board member

Mr. Abdulrahman Ali Al-Abdulla

Board member

H.E. Turki bin Mohamed Al-Khater

Board member

Letter from the Chairman

"In a year of solid macroeconomic tailwinds, we continue thrive for operational excellence by focusing on our people, ensuring plant reliability and our commitment to HSE"

Letter from the Chairman

Dear Shareholders,

I am delighted to present 2021 Annual report of Industries Qatar, one of the largest listed entities in the State of Qatar. I would like to thank and congratulate my fellow Board members, senior management of our Group companies and management team of Muntajat for their dedication, hard work and commitment in achieving one of the most commendable financial and operational results. I would also especially thank our shareholders for their continued trust and support.

Macroeconomic overview

During the year, macroeconomic drivers remained positive, supported by effective vaccination campaigns and progression of societal reopening leading to a renewed demand for downstream products. On the other hand, supply constraints and logistical bottlenecks remained evident throughout the year. This demand recovery along with limited supply allowed commodity prices to recover notably from last year's troughs. Also, recent energy crisis and power rationing measures in key markets has supported elevated price trajectories for commodities.

2021 business review

During the current year, we remained successful in realizing financial and operational benefits from all the strategic decisions taken last year in order to create and preserve long-term shareholder value.

Our strategic investment of USD 1 billion to take full ownership in QAFCO has served us well, with results in excess of our expectations. Similarly, mothballing certain steel facilities during 2020 allowed us to focus on more profitable domestic and selective international markets, and benefited the Group with an improved profitability and better plant reliability.

During the first half 2021, against a backdrop of negative spreads for MTBE, the Group took an informed commercial decision to temporarily shutdown its MTBE facility. The facility returned to operation in the second half of the year, on the back of notable recovery in fuel additive prices.

The Group continued its maintenance programs as planned to ensure safe, efficient, and reliable operations with consistent production. Also, with the current supply chain crunch situation and seized global markets throughout the year, the Group's marketing and logistics arm for petrochemical and fertilizer products, i.e. Muntajat, worked closely with relevant producing entities to steer Group's entities through these challenging times, while ensuring our volumes remained unaffected without disrupting operations.

With respect to Group's base case business strategy, we will continue to focus on market development and efficiency gains, while extending our leaner cost base.

Financial results

We noted a robust recovery in IQ's financial performance for the year 2021 from the previous years, underpinned by improved macroeconomic environment and supply constraints responsible for ongoing sequential product price recovery and resulted in a solid bottom-line growth.

IQ reported a net profit of QR 8.1 billion for the year ended 31 December 2021, up by 321%, compared to the last year and recorded an earnings per share (EPS) of QR 1.34 for the year ended 31 December 2021, as compared to QR 0.32[1] for the last year.

[1] Net profit and earnings per share for the year ended 31 December 2020 includes retrospective effects of acquisition of Qafco's 25% stake, with effect from 1 January 2020

Letter from the Chairman

Shareholder value creation

Given the liquidity required for current and future capital projects, and current short- and medium-term macroeconomic outlook, the Board of Directors proposes to pay a total annual dividend distribution for the year ended 31 December 2021 of QR 6.05 billion, equivalent to a payout of QR 1 per share.

Conclusion

In conclusion, I would like to express my sincere gratitude to His Highness the Emir, Sheikh Tamim bin Hamad Al-Thani, for his vision and wise leadership, with a continued support and guidance in promoting Qatar's energy sector. I would also like to thank my fellow Board members, senior management, and dedicated staff of our group companies for the valuable support for successfully navigating a successful year. I would also especially thank our shareholders for their continued trust and support.

I am confident that my fellow Board members and senior management team of the Group and its companies are well prepared for the year ahead. No doubt there will be new opportunities and challenges, and much work will be required towards realizing our strategic goals, but together we look forward to ensuring Industries Qatar remains one of the leading industrial giants in the region.

Board of Directors' review

"As we report one of the strongest performance for the Group, we continue to remain focused on our core values of operational excellence and our commitment to HSE"

Board of Directors' review

Introduction

The year 2021 has turned out to be one of the most successful year for the Group since inception, after witnessing an unprecedented challenging time during last year being impacted by adversities of COVID-19.

The Board of Directors is delighted to present an excellent set of results, mainly attributed to improved product pricing and realizations from our strategic decisions taken during last year which contributed immensely in many ways to this remarkable performance.

Macroeconomic review

Economic recovery carried from the latter part of 2020, backed by resumption in demand against a backdrop of effective vaccination campaign, government spending together with gradual easing of lockdowns, remained evident throughout the year. These constructive macroeconomic drivers aided greater consumer participation and allowed many economies to recover from last year's lows and led to a notable increase in demand for downstream commodities.

On the other hand, industry supply remained constrained due to weather calamities in the US, commercial shutdowns amid elevated energy prices in Europe, power rationing and measures affecting Chinese supplies, along with decarbonization measures in China specifically affecting steel capacities. Moreover, the supply side remained pressured due to supply chain bottlenecks, affecting most of the seaborne export oriented industries throughout the year. These factors created a wider supply-demand imbalance across commodities and played a part in a persistent inflationary price trends.

Strategic business review

As the Group benefitted from a momentous economic recovery which translated into a healthier demand for our products, our robust business models and strength of our global supply chain continued to leverage our resilience and provided flexibility to our operations. Our continued positioning of being a low cost operator ensured our competitive edge and aided to generate one of the strongest results.

During the year, we started to realize results from the strategic decisions taken during a pandemic year, which has not only reshaped our competitiveness but also positioned us with strong footings for any future challenges.

Our decision to acquire remaining stakes in Qafco and QMC taken last year has turned out to be above our expectations with stronger contributions to the Group, given the current industry upcycle.

Following our steel's mothballing decision to predominantly concentrate on our domestic market, we started to reap benefits with better margins as the strategic focus was shifted towards profits maximization versus maximizing volumes. Along with this decision, the segment also adjusted its operating processes to improvise input cost efficiently, with savings noted in maintenance works. On the other hand, mothballed facilities were maintained well and can be put into use at a short notice, if market warrants an increased steel output.

The Group's fuel additive business conducted a commercial closure in its MTBE facility during the first half of the year, while continued to produce and sell methanol. Given the spreads available in the market, the sales of MTBE was not commercially prudent. Later on, MTBE operations were restored amid better MTBE prices.

From an operations perspective, our polyethylene facilities concluded a major turnaround without any significant HSE incident and covered most of the plants within the business. Such turnarounds are mandatorily conducted after a certain period of time, to ensure plant reliability and product sustainability.

With specific reference to global supply chain challenges, Muntajat successfully ensured business continuity, with the best netbacks available in the market. In this regard, Muntajat continued to explore arbitrage opportunities within various geographies and leveraged economies of scale to ensure lesser freight costs.

On overall basis, going forward, we will also continue to develop markets with best netbacks and enhanced profitability through arbitrage or output considerations, while remaining cost competitive, with an eye on HSE and operational excellence.

Board of Directors' review

Capital expenditure (CAPEX) and business development

During the financial year 2021, the Group spent QR 1.3 billion in capital expenditures. The primary nature of these expenditures was mainly related to turnaround, reliability, and health, safety and environmental projects.

For the next five years (2022-2026), Group's planned capital expenditure will be around QR 11.1 billion. The Group will continue to focus on capital expenditure programs with a critical importance to asset integrity, operational efficiency, reliability improvements, cost optimization and capacity de-bottlenecking.

The Group is also evaluating a possible new energy efficient ammonia train investment that will replace a pair of existing ammonia trains which were in operations over the last five decades. The investment is currently being evaluated for its operational and financial merits.

Cost and Output optimization

The entities within the Group are operating in industries, which are highly cyclical and intensely competitive in nature, while being price takers from markets. The operational and financial performance of the Group entities has always closely correlated to global macroeconomic cycles. Under such circumstances, achieving cost and output efficiencies are pivotal to the Group, as the macroeconomic climate continue to evolve.

During last year, the Group businesses were affected due to pandemic and other key adverse macroeconomic events, and in response, the Group kicked-off new optimization initiatives as an additional layer to the existing optimization strategy. These measures included manpower realignment, prioritizing or shelving planned OPEX and CAPEX projects, adjustments to operating capacities and changes to material mix. Such measures have resulted in improvement in Group's variable and fixed operating cost structures, and thereby linking to improved profitability margins for the Group during 2021.

Financial performance

Current year's improved financial performance was mainly driven by higher product prices, which remained evident throughout the year and positively impacted current year's profitability.

Revenue: Total proportionate revenue[2] for the year ended 31 December 2021 amounted to QR 20.2 billion, with a significant increase of 77% over last year. On the other hand, the reported revenue[3] according to IFRS 11 amounted to QR 14.2 billion, with a notable increase of 91% versus last year.

The sizeable growth in Group revenue (based on non-IFRS based proportionate consolidation) during the current year was mainly driven by several factors both external and internal to the business. Mainly positive macroeconomic climate contributed towards elevated demand, with supply remained muted due to lowered operating rates amid natural disasters; lesser inventory levels; and constrained supply chain situation. All of these macro imbalances acted as a catalyst in higher product price trajectories across all the segments during the year. Blended product prices at the Group level, increased by 58% compared to last year, translating into an increase of QR 8.5 billion in Group's net earnings versus last year.

Furthermore, sales volumes increased by 20% versus last year, driven by multiple factors, including additional sales volumes relating to Qafco trains 1-4 reported as part of full current year's volumes, whereas the same were not fully reported during last year, as the trains operated

[2] Total proportionate revenue is computed based on non-IFRS proportionate consolidation, i.e. including revenue from fully owned subsidiaries, plus share of revenue from directly and indirectly held joint ventures

[3] Reported revenue refers to the revenue reported in the consolidated financial statements in line with the requirements of IFRS 11, representing revenue from fully owned subsidiaries only, i.e. Qafco and Qatar Steel, without including share of revenue from directly and indirectly held joint ventures

under a temporary gas processing arrangement for the first seven months of 2020. Nevertheless, improvement in the sales volumes were offset to an extent by reduction in volumes due to mothballing of steel facilities, commercial shutdown at fuel additives facilities and maintenance shutdowns at certain petrochemicals and fertilizer facilities.

Profits & Margins: Net profit for the year amounted to QR 8.1 billion, significantly up on last year, by 321%, while Group EBITDA stood at QR 10.2 billion, with an increase of 152% versus last year. This marked increase in profitability was mainly driven by better product prices leading to improved revenues.

Financial position and cash flows

Despite operating in a volatile and competitive business environment, IQ's financial position and cash flows continue to remain robust and healthy.

The Group started the year with a total cash and balance of QR 9.8[4] billion. During the year the Group generated total operating cash flows of QR 9.4 billion and incurred a minimal CAPEX of only QR 1.3 billion. With the payment of last year's dividends, the Group was able to generate a free cash flow of QR 8.1 billion during current year and closed the year with a total cash and bank balance of QR 16.0[5] billion.

Group's reported total assets and total equity reached QR 42.3 billion and QR 39.5 billion, respectively, as of 31 December 2021. Currently, the Group has neither short-term nor long-term debt.

IQ's strong financial and liquidity position is a testament to its competitive cost position, efficient operating asset base, prudent financial and operating policies that lead to efficient cash flow generation capabilities with a strong asset base. Such strong financial and liquidity position is critical for the Group to safeguard itself against unanticipated maintenance shutdowns and market volatilities, while providing support in ensuring a sustained and consistent dividend pay-outs and allowing flexibility to opportunistically consider Capex projects to create long term shareholder value.

Proposed dividend distribution

A total dividend of more than QR 55 billion have been distributed to shareholders since the Group's incorporation, with a payout ratio of more than 60% is a clear evidence of the Board's commitment to adequately reward shareholders, while maintaining the required liquidity for current and future capital projects, debt obligations and unexpected adversities.

With these considerations coupled with a macroeconomic forecast linking to business outlook, the Board of Directors proposes a total annual dividend distribution for the year ended 31 December 2021 amounting to QR 6.05 billion, equivalent to a payout of QR 1 per share, representing a payout ratio of 75% of net earnings and a dividend yield of 6.5% as of 31st December 2021's closing share price.

Conclusion

The Board of Directors expresses its gratitude to H.E. Mr. Saad Sherida Al-Kaabi, Minister of State for Energy Affairs, Chairman of the Board of Directors and Managing Director, for his vision and wise leadership, and to the senior management of the Group companies for their hard work, commitment, and dedication, together with our privileged shareholders who continue to trust us.

[4] Based on non-IFRS proportionate consolidation, i.e. including cash and bank balances from fully owned subsidiaries, plus share of cash and bank balances from directly and indirectly held joint ventures

[5] Includes cash and bank balances across the Group based on non-IFRS proportionate consolidation

Board of Directors' Segments Review

Board of Directors' Segments Review

The Board of Directors is pleased to present 2021 segmental review covering operational and financial performance of Group's operating segments. For segmental reporting purposes, Group's ventures are assembled into three distinct segments namely: Petrochemicals (Qatar Petrochemicals Company and Qatar Fuel Additive Company), Fertilizers (Qatar Fertilizer Company); and Steel (Qatar Steel).

Petrochemicals segment

Strategy

Key strategies within the petrochemicals segment include maximization of asset utilization, while aiming to improve regulatory environment, and maintaining acceptable levels of plant reliability and availability. Maintaining operational excellence to optimize production cost, with an eye on safe and reliable operating procedures, remain a key focus for the segment entities.

Macroeconomic updates

Petrochemicals industry remained a key beneficiary of rebounding of global economy since the later part of 2020, backed by ongoing successful vaccination drive which has led to a sequential recovery of consumer demand, as the key market remained opened throughout the year. On the other hand, supply constraints remained evident throughout the year. These supply-demand imbalance resulted in prices of petrochemical products to remain elevated during the whole year. Crude oil prices, a key variable to petrochemical prices had also shown significant strength during the year, which led to an extended strong recovery in prices, with commodities selling at premiums not seen in years.

Output optimization

During the year, segment's polyethylene facility carried out a major planned turnaround as the ethylene facility was operating since 2014 without any major planned maintenance shutdown. Additionally, Group's fuel additive segment also carried out a commercial shutdown during the year in relation to its MTBE facilities.

- **Production:** despite the petrochemical segment concluded its major turnaround, and a commercial shutdown, the overall production remained stable during the year. Production for the year marginally declined by 3% versus last year;
- **Sales volumes:** declined marginally versus previous year, amid decline in production. Supply chain challenges did not caused any material impact on Group's production planning and scheduling, as the marketing partner, Muntajat, ensured seamless marketing and logistical support throughout the year.
- **Availability and reliability:** the facility reliability within polyethylene facilities remained high with minimal unplanned outages. However, facility availability was moderately down for PE facilities as compared to last year as the facility underwent a general shutdown. On the other hand, the reliability and availability of fuel additive facilities were affected, mainly due to a commercial shutdown. At the overall segment level a reliability of 96% was noted, reaffirming segment's asset and operational strength.

Financial results[6]

During the year, the segment reported excellent financial performance aided by significant recovery in product prices. The demand driven GDP growth together with supply constraints pushed the prices significantly higher versus last year which improved by 55%. The improvement in the product prices allowed the segment's revenue to grew by 51% to reach QR 6.0 billion. The segment reported a net profit of QR 2.5 billion, a notable increase of 133% compared to 2020. Segment's EBITDA amount to QR 3.1 billion with a robust EBITDA margin of 51%.

Capital expenditure

Capital expenditure for the year 2021 amounted to QR 817 million, primarily related to planned turnaround related expenditures and HSE improvements. These planned turnarounds are essential to ensure the asset integrity and operational reliability.

In terms of capital expenditure over the next five years (2022-2026), the segment is expected to incur QR 1.9 billion in various projects. This will include, but be not limited to operations (HSE, plant reliability and integrity) and maintenance shutdowns. These projects are not only to improve facilities' operational integrity, reliability, output and reducing emissions, but also will ensure regulatory compliance and leading to improved operating cash flows via added efficiencies.

[6] Figures based on non-IFRS proportionate consolidation

Board of Directors' Segments Review

Fertilizer Segment

Strategy

The segment's strategy is to operate all its assets safely, efficiently, in an environment friendly manner in order to produce high quality fertilizers. The segment has strategized to use a seven-pillar strategy (excel, grow, diversify, excellence, safety, integrity and teamwork) to achieve its vision and mission.

Macroeconomic updates

Fertilizer prices remained very high during 2021, driven by robust demand from key crop-growing regions supported by higher agriculture commodity prices, such as corn and soybeans, coupled with supply limitations owing to lowered plant operating rates and depressed exports by certain producing countries. The positive price trajectories were further supported by higher energy prices in key regions, which remained evident during most of the latter part of 2021.

Output optimization

Main objective within the fertilizer segment for 2021 was to continue to improve facility reliability and availability of the trains in order to ensure production is optimized.

- **Production:** segment's production marginally declined by 1% versus last year, as Qafco trains 1-4 underwent a maintenance shutdowns with higher no. of days during the current year.
- **Sales volumes:** sales volumes within the segment have improved significantly by 38% versus last year. This increase was firstly due to full year effect of sales volumes relating to Qafco trains 1-4 during the year, which was not the case in last year, due to a temporary gas processing arrangement which was applicable for the first seven months of 2020. Secondly, a demand recovery for fertilizers following global economy's rebound from a challenging last year.
- **Availability and reliability:** the facility reliability within fertilizer segment stood at 97% due to number of shutdowns during the year. The segment's plant availability has also marginally lowered on account of higher total shutdown days for the year compared to last year.

Financial Results

Fertilizer segment reported plausible financial results during the year with a net profit of QR 4.7 billion, up 544% versus last year. EBITDA margin for the segment stood at an impressive 60% for the year. This notable growth in financial performance of the segment was mainly driven by improved product prices, improved volumes and absence of one-off impairment provision which was booked last year. Segment's previous year's financial performance was impacted by recognizing an impairment expense of QR 153 million relating to one of its subsidiaries. Product prices on average have improved by 100% driven by strong demand and higher input costs along with a constrained supply, while sales volumes grew by 38%. Both the factors translated into an overall growth in segmental revenue by 133% to reach QR 10.3 billion.

Capital Expenditure

Fertilizer segment spent QR 444 million in capital expenditure for the year 2021. The main capital expenditures during the year were related to maintenance works and technical roadmap related projects.

In terms of capital expenditure over the next five years (2022-2026), the segment is expected to incur QR 8.8 billion in various projects including turnaround related CAPEX and a new ammonia train. The new, state of the art, energy efficient train will replace two of the existing trains (Ammonia 1 & 2) which were built five decades ago. The proposal for the new train is currently under review by the management. In addition to a new ammonia train, the segment's CAPEX will focus on improving HSE, plant reliability and integrity and maintenance shutdowns.

Board of Directors' Segments Review

Steel Segment

Strategy

Group's steel subsidiary (Qatar Steel) continued its market 'focus' strategy, wherein, its products were primarily sold in domestic markets with selective and opportunistic international sales. This strategy was adapted last year, after a careful review of steel markets, analyzing Qatar Steel strengths and weaknesses and its competitive positioning. The strategy has allowed the segment to realize better netbacks, adjust its operating cost base, with improved margins.

Macroeconomic Updates

Steel prices continued its positive trajectory since latter part of 2020, underpinned by increase in steel demand linked to a rebound in construction activity, which originally got affected due to COVID-linked restrictions.

In the beginning of the year, surge in iron ore prices amid trade tensions between China and Australia, translated into a price hike of steel products. Although, iron ore prices softened during the second half of the year, but steel remained buoyant due to China's decarbonization drive, as the country aspires to restrict its steel production to meet environmental targets.

Similar pricing trends were followed in the domestic markets, where renewed demand for steel linked to infrastructure and construction linked projects coupled with volatile raw material prices kept the end-use steel prices elevated.

Output Optimization

The objective of steel segment is to optimize the production within the available facilities after scaling down its capacities to practice a more focused market strategy, and to optimize its operating costs via process adjustments to achieve operational excellence across its businesses and value chain.

- **Production:** segment's production was moderately down by 10% compared to last year, as full year's impact of facility mothballing was realized in the current year compared to last year, where mothballing decision was enacted since Q2-20.
- **Sales volumes:** segment reported a sales volume of 1.6 million MT's marginally down by 2% versus last year. The reduction was primarily driven by lower production volumes, but partially offset by one-off opportunistic sales in international markets.
- **Availability and reliability:** the facility availability remained low as approximately half of the facilities are being mothballed, while the reliability remained high with segment reporting minimal shutdowns during the year.

Financial Results

During the year, steel segment became profitable, after having a difficult last year and following strategic restructuring initiatives implemented last year. Net profit for the current year amounted to QR 716 million versus a net loss of QR 1.3 billion during last year. This noticeable improvement was mainly due to the following factors:

- Selling prices improved by 31% during the current year, as the steel demand rebounded on account of elevated construction and infrastructure development activity, coupled with volatile raw material prices internationally.
- Mothballing of certain steel facilities allowed the segment to primarily focus on profitable domestic market, which led to adjust its cost base. However, due to better international prices, the segment was also able to sell some quantities outside the domestic market on an opportunistic basis.
- Absence of one-off impairment expense amounting to QR 1.2 billion linked to mothballing decision booked during last year, thus improving current year's comparative performance.

Capital Expenditure

The segment incurred minimal capital expenditure of QR 51 million during the year. These were primarily related to routine property, plant, and equipment additions. In terms of capital expenditure over the next five years (2022-2026), the segment is expected to incur QR 0.5 billion in various capital expenditure projects over the next five years including asset replacements, HSE and reliability improvements.

IQ Group at a Glance

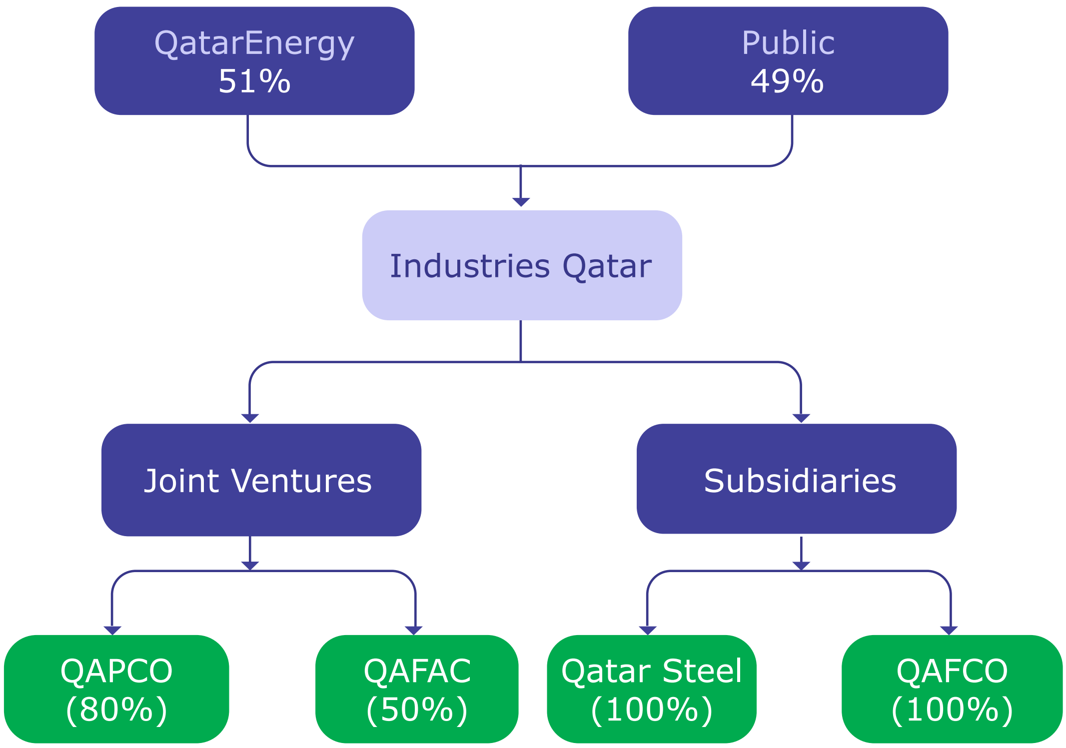
Overview

Industries Qatar Q.P.S.C. (IQ or the Group) was incorporated as a Qatari joint stock company on April 19, 2003. Its registered office is P.O. Box 3212, Doha, State of Qatar. Through its subsidiaries and joint ventures (the Group companies), IQ operates in three distinct segments: Petrochemicals, Fertilizers and Steel.

Head Office Functions and Management Structure

QatarEnergy, IQ's largest shareholder, provides head office functions through a comprehensive services agreement. The operations of the Group's subsidiaries and joint ventures remain independently managed by their respective Boards of Directors and senior management teams.

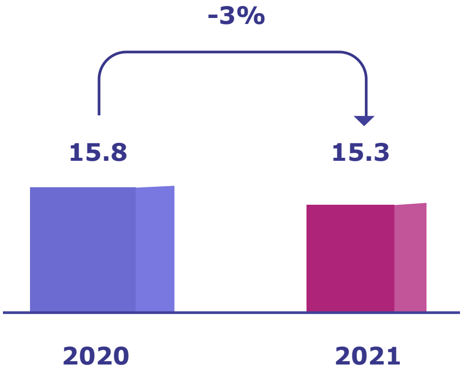
Ownership structure



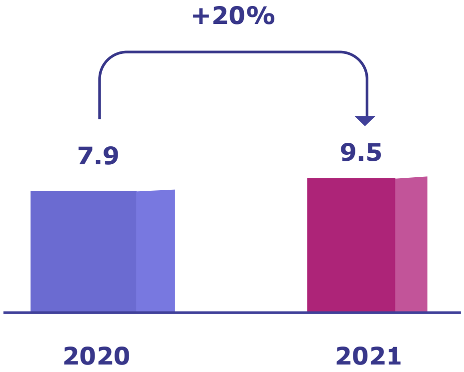
IQ Group at a Glance

IQ 2021 Performance

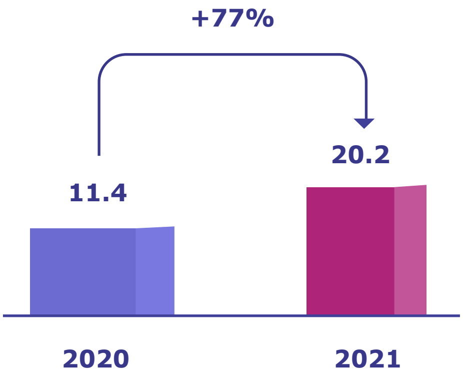
Production (MT' million)



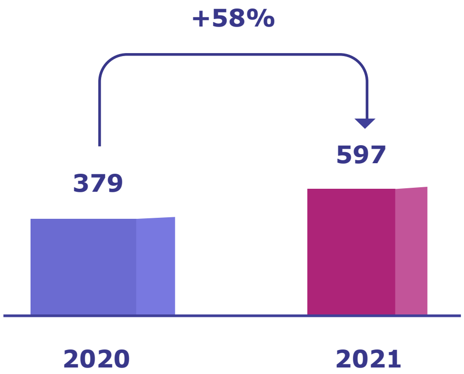
Sales Volumes (MT' million)



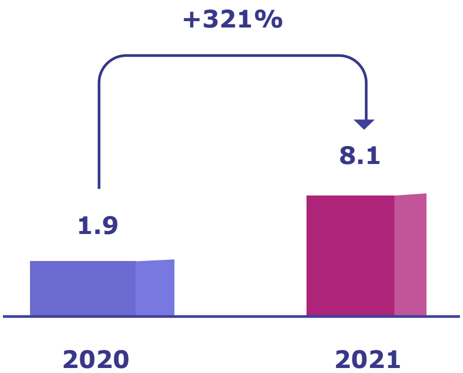
Revenue (QR' billion)



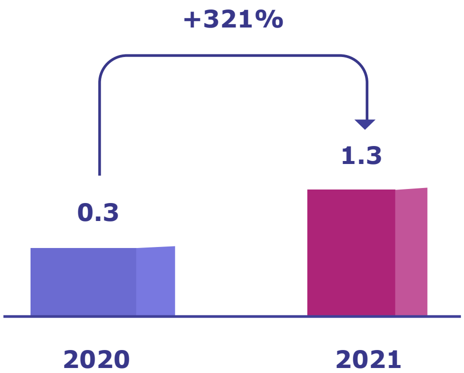
Selling prices ($/MT)



Net profit (QR' billion)



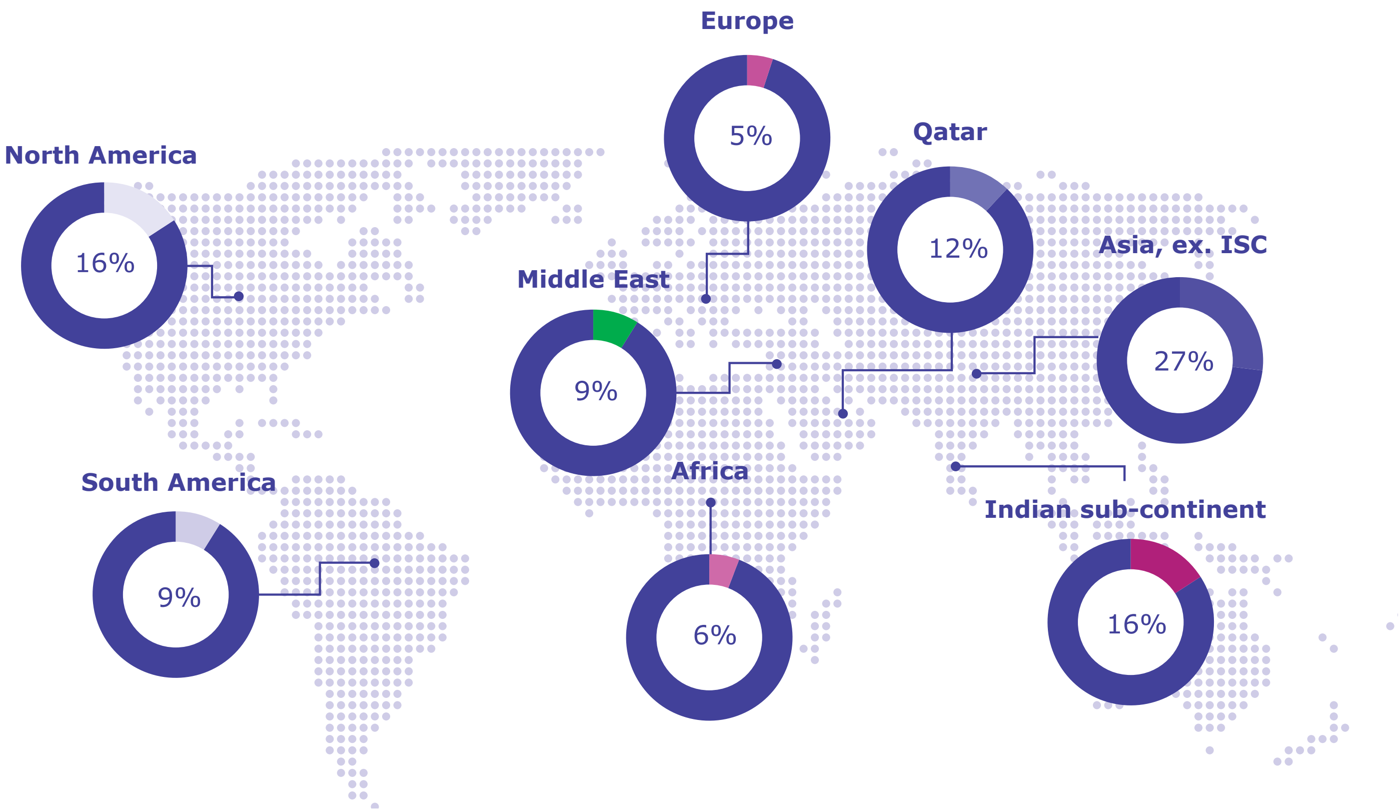
Earnings per share (QR)



Note: Figures are based on non-IFRS proportionate consolidation

IQ Group at a Glance

IQ Group revenue by geography (%)



IQ Business Segments at a glance

Overview

IQ operates in three distinct business segments: Petrochemicals, Fertilizers and Steel. All of the Group's international joint venture partners bring state-of-the-art technical expertise in their respective fields of operation.

Petrochemicals

The petrochemicals business segment comprises two joint ventures: Qatar Petrochemical Company Limited (QAPCO) and Qatar Fuel Additives Company Limited (QAFAC).

Incorporated in 1974 as a joint venture, QAPCO is currently owned by IQ (80%) and Total Petrochemicals (France) (20%). QAPCO has two joint ventures, Qatofin Company Limited and Qatar Vinyl Company Limited, as well as an associate company, Qatar Plastic Products Company.

QAPCO and its group entities are engaged in the production of polyolefins, polyethylene and chlor-alkali products. QAPCO's production capacities of key products are:

	Capacity (000' MT)
Ethylene*	1,150
LDPE	750
LLDPE	551
EDC & VCM	652
Caustic Soda	386

* Excess quantities when available are sold separately; otherwise they are consumed as feedstock.

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

Incorporated as a joint venture in 1991, QAFAC is currently owned by IQ (50%), OPIC Middle East Corporation (20%), International Octane L.L.C. (15%) and LCY Middle East Corporation (15%). QAFAC is engaged in the production of methanol and methyl tertiary-butyl ether (also known as methyl tert-butyl ether or MTBE). QAFAC's current production capacities of key products are:

	Capacity (000' MT)
Methanol	1,000
MTBE	610

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

IQ Business Segments at a glance

Key Products

- ***Ethylene***

Ethylene is used as a feedstock for a wide range of petrochemicals. A significant portion is used by QAPCO and Qatofin for production of low density polyethylene (LDPE) and linear low density polyethylene (LLDPE), with the remainder sold to QVC for the production of a range of chlor-alkali products.

- ***Low Density Polyethylene (LDPE), Linear Low Density Polyethylene (LLDPE)***

LDPE and LLDPE are thermoplastics produced from ethylene monomer feed through the process of polymerization. Various grades of LDPE and LLDPE are produced which are suitable for a wide range of thermoplastics processing techniques with applications such as films, pipes, cables and wires and other moulded products.

- ***Methanol***

A significant portion of methanol produced is used as a feedstock to produce methyl-tertiary-butyl-ether (MTBE), with the remainder sold. Within the petrochemical industry, methanol is used as a raw material for the manufacture of solvents, formaldehyde, methyl-halide, acetic acid, ethyl-alcohol, acetic anhydride, Dimethyl Ether (DME) and MTBE.

- ***Methyl-Tertiary-Butyl-Ether (MTBE)***

MTBE is used as a gasoline additive that provides clean-burning fuel to reduce tail gas pollution generated by motor vehicles, while eliminating the need for tetra-ethyl-lead blending.

- ***Caustic Soda***

Caustic soda is a colourless, viscous, corrosive liquid with a neutral odour. It is used in numerous industries including paper-making, water treatment, soaps and detergents, textiles and in the production of alumina.

- ***Ethylene Dichloride ("EDC")***

EDC is a colourless to yellowish liquid with a faint chloroform-type odour. It is used primarily in the production of vinyl chloride monomer ("VCM"). The majority of EDC produced is used for captive consumption for the production of VCM, with the remainder exported.

- ***Vinyl Chloride Monomer ("VCM")***

VCM is a colourless gas with a faint odour. VCM is used primarily in the production of polyvinyl chloride ("PVC") - a versatile plastic with a wide range of end-uses. Over 80% of global demand for PVC is in long-term durable applications for infrastructure development, such as pipes for water and sewer distribution to wire and cable, home siding, windows, doors and flooring.

- ***Sulphur***

High quality sulphur is generated as a byproduct from the ethylene production process which is sold domestically, and subsequently exported by the domestic buyer.

- ***Pyrolysis Gasoline***

The limited quantities of pyrolysis gasoline produced by QAPCO are used by a local company as a feedstock.

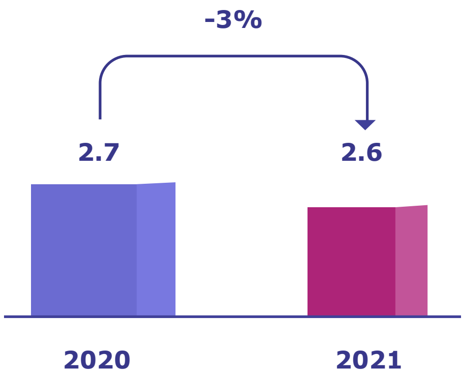
- ***Mixed LPG, C3 / C4***

The minimal quantities of mixed LPG generated are supplied to the local NGL plants to produce propane and butane.

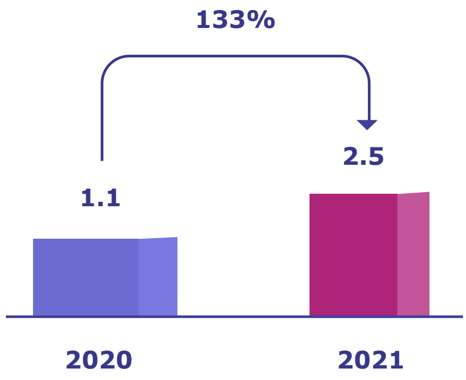
IQ Business Segments at a glance

Petrochemicals performance for 2021

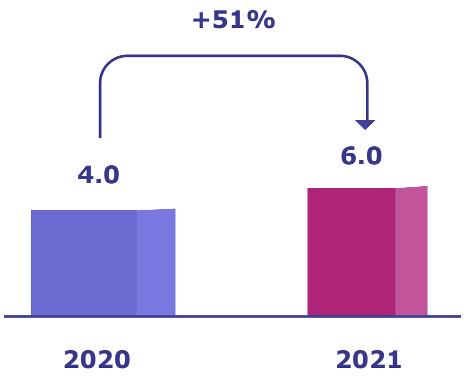
Production (MT’ million)



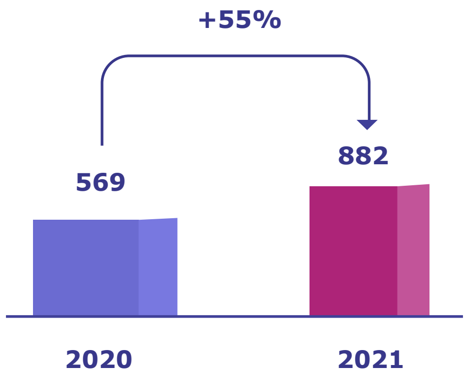
Net profit (QR’ billion)



Revenue (QR’ billion)



Selling prices ($/MT)

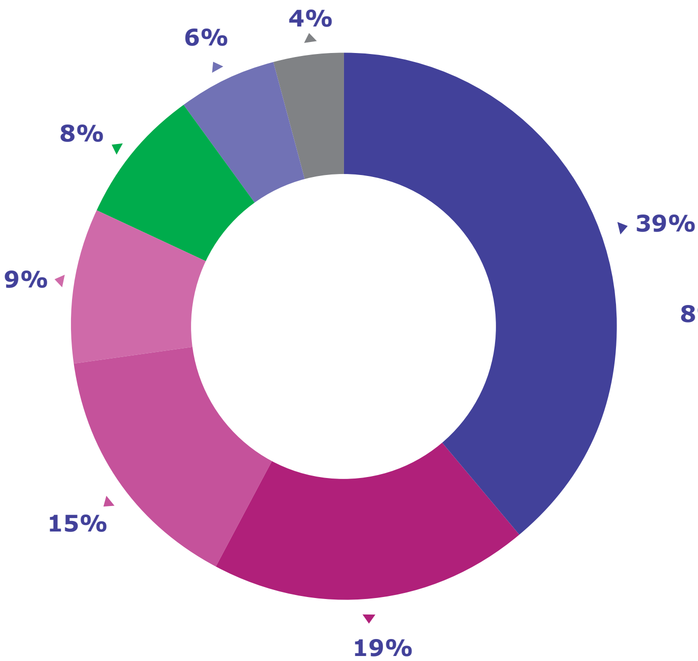


Note: Figures are based on non-IFRS proportionate consolidation

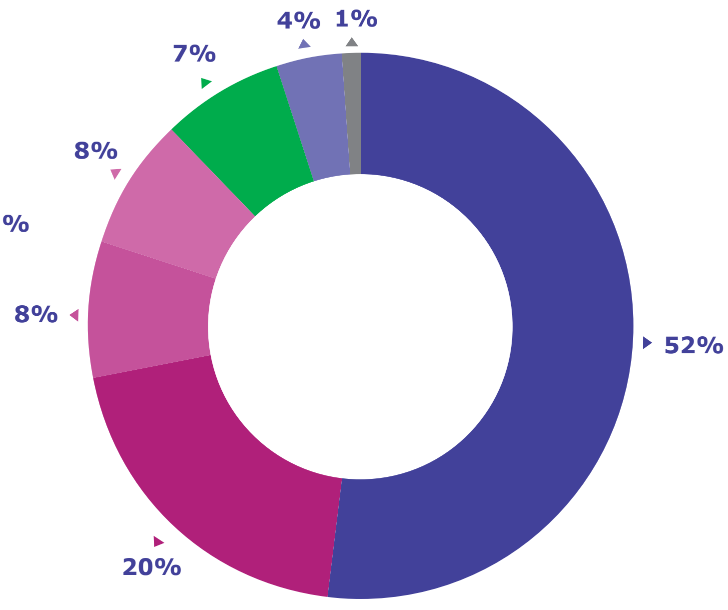
IQ Business Segments at a glance

Petrochemicals performance for 2021

2021 Segment Revenue (%)



2020 Segment Revenue (%)



- Asia
- Indian-subcontinent
- Europe
- Africa
- Middle east
- Qatar
- Americas

IQ Business Segments at a glance

Fertilizers

The Fertilizers business segment comprises a 100% owned subsidiary, Qatar Fertilizer Company Limited (QAFCO).

QAFCO is currently 100% owned by IQ. QAFCO has two subsidiaries, Gulf Formaldehyde Company and Qatar Melamine Company.

QAFCO together with its subsidiaries is engaged in the production of ammonia, urea, melamine and formaldehyde condensates. QAFCO's production capacities of key products are:

	Capacity (000' MT)
Ammonia*	3,840
Urea	5,957
Melamine	60
Urea Formaldehyde Condensate	65

*Excess quantities when available are sold separately; otherwise they are consumed as feedstock.

Key products

- ***Ammonia***

A significant portion of the ammonia produced by QAFCO is used internally as a feedstock for urea production.

- ***Urea***

The urea produced by QAFCO is in either prilled or granular form.

- ***Urea Formaldehyde Condensate (UFC-85)***

UFC-85 is an anti-caking agent which is added to urea products to improve their strength. All UFC-85 produced is used in QAFCO'S urea plants.

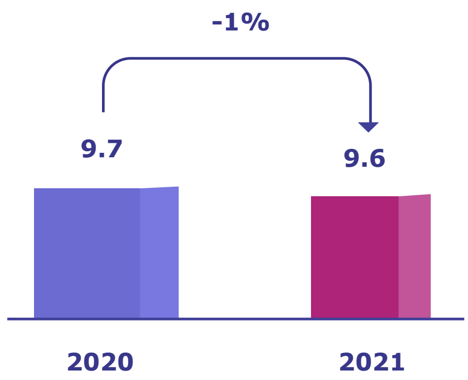
- ***Melamine***

The principal use of melamine is in the construction industry. Melamine is used in the production of high-pressure laminates, which are used for a number of construction related activities. Melamine is also used in the production of kitchen utensils and plates.

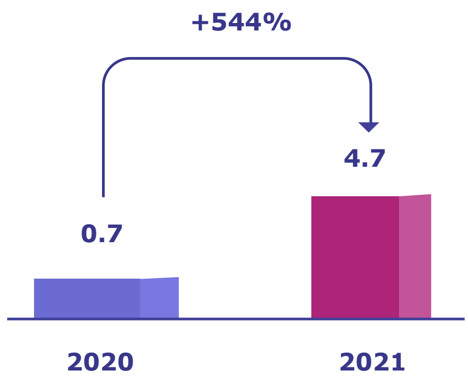
IQ Business Segments at a glance

Fertilizers performance for 2021

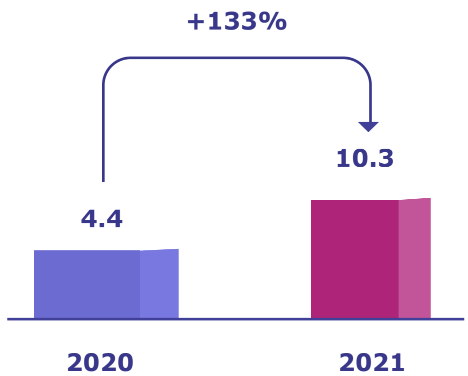
Production (MT’ million)



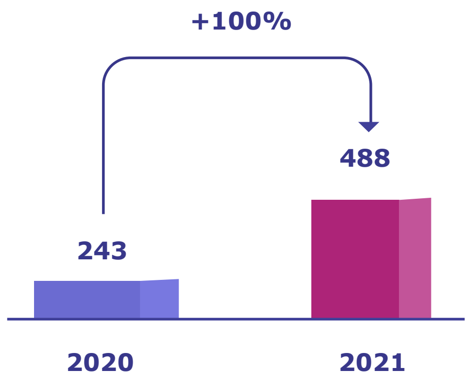
Net profit (QR’ billion)



Revenue (QR’ billion)



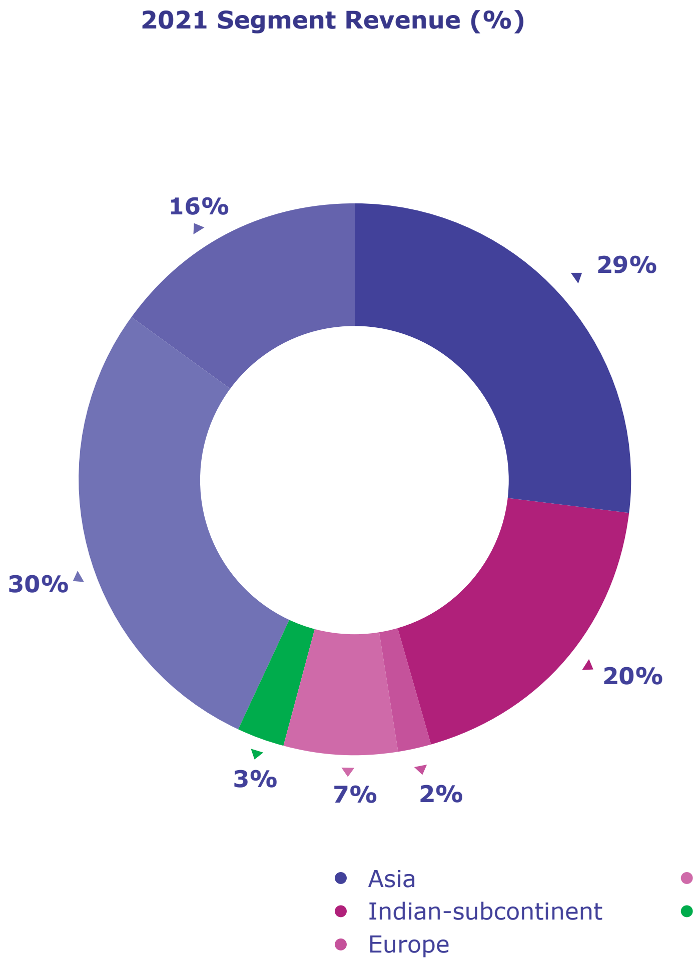
Selling prices ($/MT)

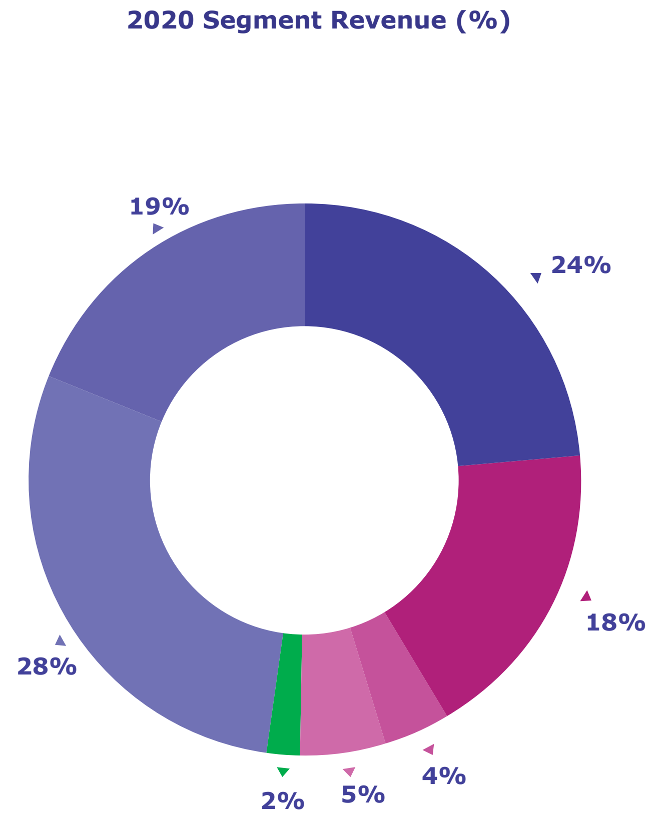


Note: Financial performance for 2020 has been normalized to show the effects of acquisition of 25% stake in Qafco with effect from 1 January 2020.

IQ Business Segments at a glance

Fertilizers performance for 2021





IQ Business Segments at a glance

Steel

Qatar Steel, incorporated in 1974, is wholly owned by IQ. It has several investments in the steel industry, including two subsidiaries - Qatar Steel Company F.Z.E. and Qatar Steel Industrial Investment Company S.P.C., and three associate companies: Foulath Holding B.S.C., Qatar Metals Coating Company W.L.L. and SOLB Steel Company.

Qatar Steel is engaged in the production of intermediary steel products such as direct reduced and hot-briquetted iron (DRI/HBI), steel billets and final steel products such as rebar and coil. Qatar Steel's production capacities of steel products are:

	Capacity (000' MT)
DRI/HBI*	2,300
Billets*	2,520
Rebar	1,800
Coils	240

* Excess quantities when available are sold separately; otherwise consumed as feedstock.

Note: Based on the recent decision to mothball certain facilities of Qatar Steel, wef 01 April 2020, the name plate capacities have resized to; DRI/ HBI: 600k MT; Billets: 1,000k MT; Rebars: 1,100k MT per annum.

Key products

Direct Reduced Iron (DRI) and Hot Briquetted Iron (HBI)

Significant portions of DRI and HBI produced are used internally for the production of intermediate products, and the balance is sold.

Steel Billets

Most steel billets produced are converted into steel re-bars by Qatar Steel, with the remainder, if any, exported to countries in the Gulf region and non-GCC countries (predominantly in ASEAN countries).

Re-bars

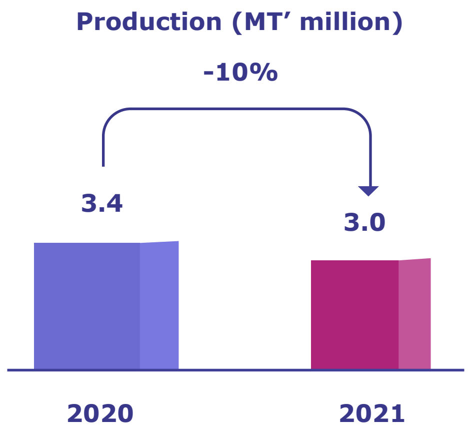
Hot-rolled deformed steel reinforced bars ("re-bars") are used extensively in the construction industry.

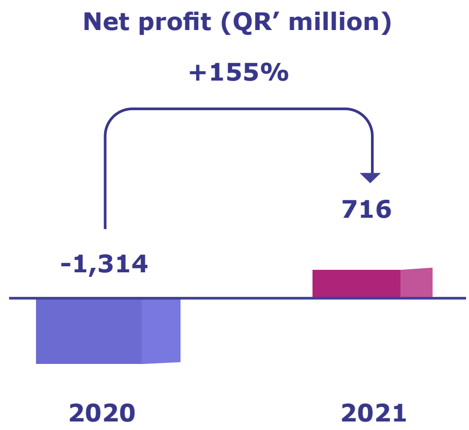
Steel Coils

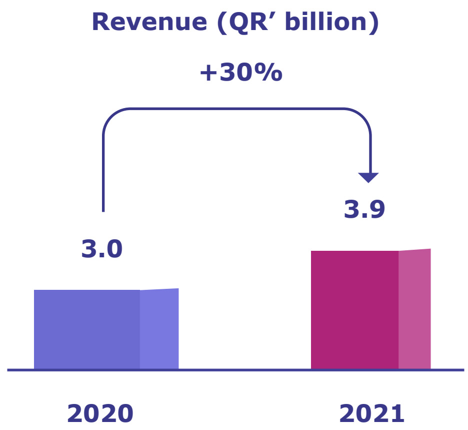
Re-bars in coils and wire rod in coils are used extensively in the construction industry as refabricated re-bars, binding wires, welded wire mesh and in the pre-cast industry. Wire rod in coil is also used in downstream industries for various applications such as nails, hangers, screws, wire nets, fencing, armored cables and barbed wires. The facility is in the UAE and the majority of production is marketed in the UAE and the region.

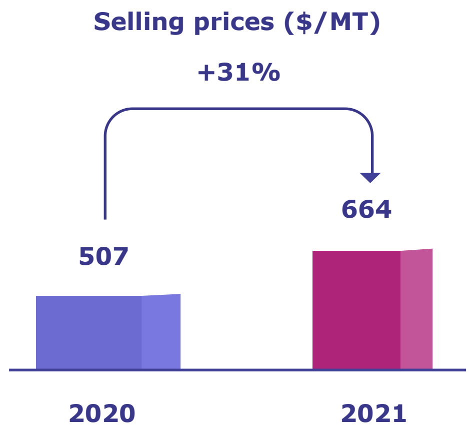
IQ Business Segments at a glance

Steel performance for 2021



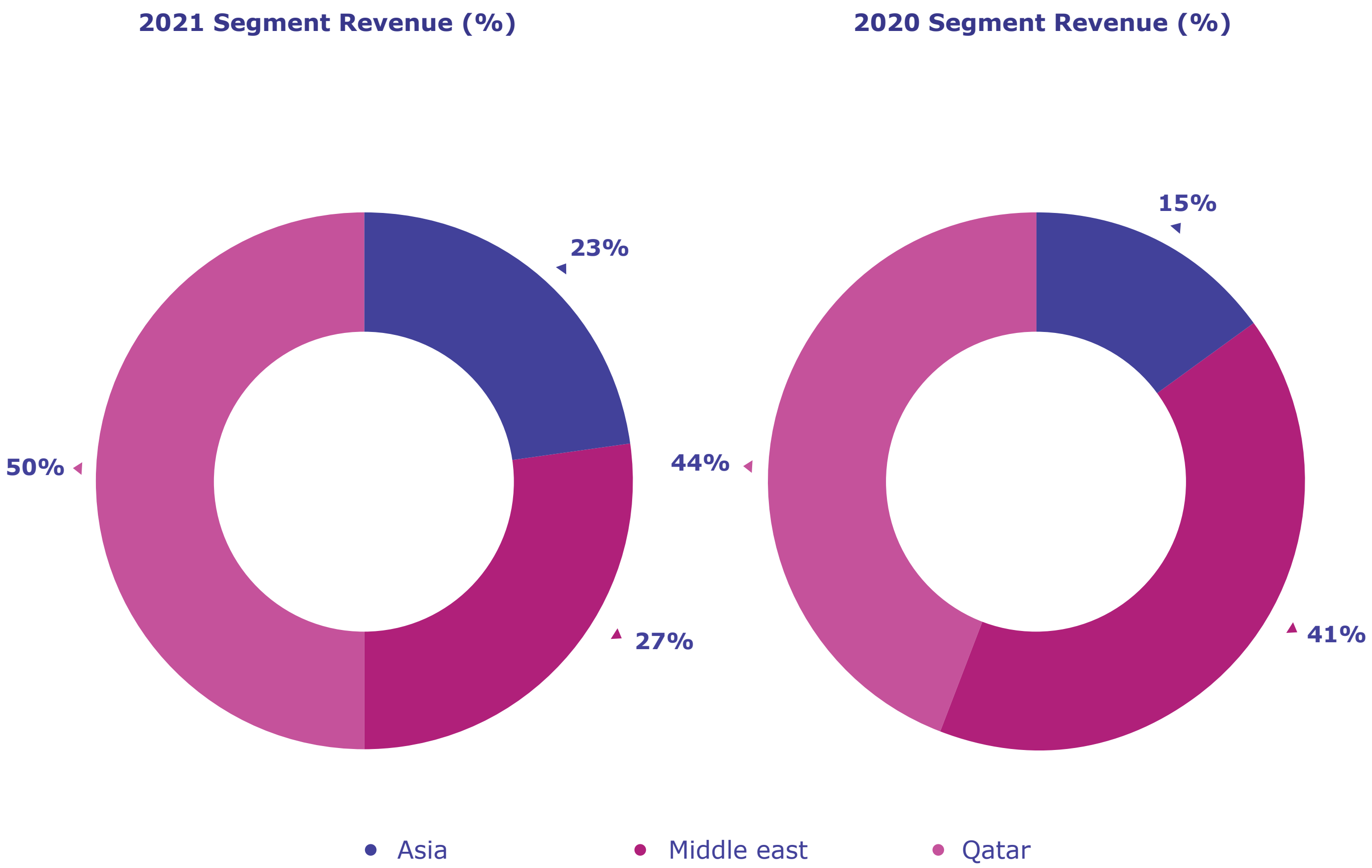






IQ Business Segments at a glance

Steel performance for 2021



Independent Auditor’s Report

Independent Auditor's Report

To the Shareholders of
Industries Qatar Q.P.S.C.
Doha - Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industries Qatar Q.P.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated 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 Group 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 Group's consolidated financial statements in Qatar, and we have fulfilled our other ethical responsibilities. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition Total revenue recognized by the Group during the year amounted to QR. 14,169 million. International Standards on Auditing require us to consider the risk of fraud in revenue recognition. There is an inherent risk of fraud given the high value of transactions and price fluctuations of the products affecting the revenue recognized for the year.	Our procedures in relation to revenue recognition from sales made by the subsidiary and individual joint ventures are as follows: • Understanding and evaluating the design and implementation of the internal controls over revenue recognition of the Group and joint venture companies.

Independent Auditor's Report

Key audit matter	How our audit addressed the Key audit matter
As disclosed in note 9, the Group's share of the combined results from the joint ventures (QAPCO and QAFAC) of QR. 2,479 million for the year ended December 31, 2021 represents 31% of profit for the year of the Group. The results of operations of these joint ventures of QR. 2,209 million for the year ended December 31, 2021 represent 34% of the sales revenue generated by these joint ventures. With the exception of one subsidiary, the majority of the subsidiaries' and joint ventures' sales are made to one customer "Qatar Chemical and Petrochemical Marketing and Distribution Company" ("Muntajat"). According to the revenue recognition policy, revenue from sale of products is recognized when the Group companies have transferred the control of the products to the customer at the point of delivery, where terms of delivery are specified in the contracts. We identified the recognition of revenue as a key audit matter, because of the high values of individual shipments. The potential errors in the occurence and accuracy of revenue recognition at the Group, subsidiary and joint venture company level could result in material misstatements in the financial statements of the Group when it recognises revenue and its share of each joint venture's net income under the equity method of accounting. The following notes to the consolidated financial statements contain the relevant information related to the above discussed matters. Note 3 – Significant Accounting Policies Note 4 – Critical Judgments and Keys Sources of Estimation Uncertainty Note 9 – Investments in Joint Ventures Note 26 – Revenue	• Understanding, evaluating and testing the Group and joint venture companies' revenue accounting policies against the requirements of IFRSs, our understanding of the business and related industry practice. • Reviewing the terms of the revenue contracts of the Group and joint venture companies with their customers. • Performing test of details to verify occurrence and accuracy of revenue transactions on a sample basis. • Performing substantive analytical procedure for each of the revenue streams and identify any significant deviations from the expectations based on the understanding of each of the revenue streams business process and procedures. • Obtaining and inspecting, on a sample basis, a confirmation including the statements of the major customer of the Group and joint venture companies, and agreeing them to the accounting records. • Evaluating the disclosures relating to revenue to determine if they are in compliance with the requirements of IFRSs.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' Report but does not include the consolidated 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 consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated 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.

Independent Auditor's Report

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent 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 Group to express an opinion on the consolidated 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 consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor’s Report

Report on Other Legal and Regulatory Requirements

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

- We are of the opinion that proper books of account were maintained by the Company, physical inventory verification has been duly carried out and the contents of the director’s report are in agreement with the Company’s accompanying consolidated financial statements.
- We obtained all the information and explanations which we considered necessary for the purpose of our audit.
- 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 Association were committed during the year which would materially affect the Group’s consolidated financial position or its consolidated financial performance.
- Reference to Note 3 to the consolidated financial statements, the Company is in the process of assessing the impact of the amendments of the commercial companies law, as per Law No. 8 of 2021. Management believes that the said amendments will not have a material impact on the consolidated financial statements of the Company.

Doha - Qatar
February 7, 2022

For Deloitte & Touche
Qatar Branch

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

Independent Auditor's Report

Independent Assurance Report, to the Shareholders of Industries Qatar 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 2021.

Responsibilities of the directors and those charged with governance

The Board of Directors of Industries Qatar 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 subsidiaries, associates and 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 2021, 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 2021; and
- Any material weaknesses in the design, implementation and operating effectiveness of controls as at 31 December 2021.

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 2021 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 2021.

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 2021, 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, Accrued interest, Cash and Cash Equivalents, Dividend Income, Dividend Payable, Income from Investment, Investments in Financial Assets at Fair Value through Profit and Loss, Investments in Fixed Deposits, Investments in Subsidiaries and Joint Ventures, Related Parties, Tax Exemption income, Financial Liability under Forward Contract , Financial reporting, Consolidation and disclosures and Information Technology Controls.

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.

Independent Auditor's Report

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 2021.

Emphasis of matter

We draw attention to the fact that this assurance report relates to Industries Qatar Q.P.S.C on a stand- alone basis and not to its subsidiaries and operations of Joint Ventures and Associates (the "Group") as a whole, based on the exceptions as provided by the QFMA. Our report is not modified in this respect.

Doha - Qatar
February 7, 2022

For Deloitte & Touche
Qatar Branch

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

Independent Auditor’s Report

Independent Assurance Report, to the Shareholders of Industries Qatar Q.P.S.C. on the Board of Directors’ Report on Compliance with the applicable Qatar Financial Markets Authority Laws and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market

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 limited assurance engagement over the Board of Directors’ Annual Corporate Governance Report (‘Directors’ CG Report’) on compliance of the Company with the applicable QFMA Laws and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market (the “Code”) as at December 31, 2021.

Responsibilities of the directors and those charged with governance

The Board of Directors of the Company is also responsible for preparing the accompanying Annual Corporate Governance Report that covers, at the minimum, the requirements of Article 4 of the Code.

In Sections 4-3 and 5-1 of the Annual Corporate Governance Report, the Board of Directors provides its statement on compliance with the applicable QFMA Laws and relevant legislations including the Code.

Our Responsibilities

Our responsibilities are to issue a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the “Board of Directors’ Annual Corporate Governance Report on compliance with the applicable QFMA Laws and relevant legislations including the Code” stated in Sections 4-3 and 5-1 does not present fairly, in all material respects, the Company’s compliance with the QFMA Law and relevant legislations including the Code.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements Other Than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board (‘IAASB’).

This standard requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Board of Directors’ Annual Corporate Governance Report, taken as a whole, is not prepared in all material respects in accordance with the applicable QFMA Laws and relevant legislations including the Code. The applicable QFMA Laws and relevant legislations 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. We did not perform procedures to identify additional procedures that would have been performed if this were a reasonable assurance engagement.

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 Laws and relevant legislations including the Code (the ‘requirements’); the procedures adopted by management to comply with these requirements; and the methodology adopted by management to assess compliance with these requirements. When deemed necessary, we observed evidences gathered by management to assess compliance with the requirements.

Independent Auditor’s Report

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.

Because of the inherent limitations of certain qualitative criteria in the application of the relevant QFMA Laws and relevant legislations including the Code, many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain an audit trail.

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.

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the Annual Corporate Governance Report (but does not include the Directors’ Report on compliance with applicable QFMA Laws and relevant legislations including the Code presented in Sections 4-3 and 5-1 (the “Directors’ Statement”), which we obtained prior to the date of this auditor’s report.

Our conclusion on the Directors’ Report on compliance with applicable QFMA Laws and relevant legislations including the Code does not cover the other information and we do not, and will not express any form of assurance conclusion thereon.

In connection with our engagement of the Directors’ Report on compliance with applicable QFMA Laws and relevant legislations including the Code, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Directors’ Statements or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Conclusions

Based on our limited assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Board of Directors' statement in Sections 4-3 and 5-1 of the Annual Corporate Governance Report on compliance with the applicable QFMA Laws and relevant legislations including the Code, is not, in all material respects, fairly stated as at December 31, 2021.

Emphasis of matter

We draw your attention to the following matters in Sections 3-1, 3-2, 3-4, 3-9-1, and 3-9-3 of the Annual Corporate Governance Report:

- Article 22 of the Company's Articles of Association do not define the minimum number of shares to run for the board membership and that the Board Charter do not include requirement related to the required number of Independent and Non-executive members and succession plan (contrary to Article no. 5 & 6 of QFMA Governance Code). In accordance with the Company's amended Articles of Association, the Board of Directors shall consist of up to eight (8) Directors, seven of whom are appointed by the special shareholder (QatarEnergy) and one Director is appointed by the General Retirement and Social Insurance Authority.
- A Nomination Committee was not established (contrary to Article no. 18 of QFMA Governance Code), as IQ Board of Directors, in accordance with the Company's Articles of Association, shall consist of up to eight (8) Directors, seven of whom are appointed by the special shareholder (QatarEnergy) and one Director is appointed by the General Retirement and Social Insurance Authority.
- The Chairman also serves as the Company's Managing Director (contrary to Article no. 7 of QFMA Governance Code) that states that it is prohibited to combine the position of the Chairman with any other executive position in the Company.
- According to the definition of the "independent member" in QFMA Governance Code, the composition of the Board Audit Committee 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%).

Our opinion is not modified in respect to the above matters.

Doha - Qatar
February 7, 2022

For Deloitte & Touche
Qatar Branch

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

Consolidated Financial Statements

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	As at 31 December	
	2021	**2020**
	QR '000	QR '000 Restated
Assets		
Non-current assets		
Property, plant and equipment	**12,695,877**	13,717,543
Investments in associates	**1,577,311**	1,475,079
Investments in joint ventures	**6,822,599**	6,915,500
Rights-of-use assets	**186,902**	224,847
Intangible asset – license fee	**1,723**	1,845
Total non-current assets	**21,284,412**	22,334,814
Current assets		
Inventories	**2,004,231**	1,944,820
Trade and other receivables	**4,584,170**	2,455,695
Financial assets at fair value through profit or loss	**348,510**	348,367
Cash and bank balances	**4,606,901**	1,855,294
Fixed deposits	**9,479,477**	6,945,965
Total current assets	**21,023,289**	13,550,141
Total assets	**42,307,701**	35,884,955

Consolidated Financial Statements

	Year ended 31 December	
	2021	**2020**
	QR '000	QR '000 *Restated*
Equity and Liabilities		
Equity		
Share capital	**6,050,000**	6,050,000
Legal reserve	**195,856**	176,913
Hedging reserve	**(4,810)**	(6,713)
Other reserve	**(8,814)**	(10,773)
Retained earnings	**33,261,035**	27,386,504
Equity attributable to equity holders of the parent	**39,493,267**	33,595,931
Non-controlling interest	**17,021**	17,072
Total equity	**39,510,288**	33,613,003
Liabilities		
Non-current liabilities		
Lease liabilities	**291,827**	324,908
Employees' end of service benefits	**432,102**	419,852
Total non-current liabilities	**723,929**	744,760
Current liabilities		
Trade and other payables	**1,990,966**	1,403,029
Lease liabilities	**81,849**	75,178
Income tax payable	**669**	1,747
Employees' end of service benefits	**--**	10,641
Bank borrowings	**--**	36,597
Total current liabilities	**2,073,484**	1,527,192
Total liabilities	**2,797,413**	2,271,952
Total equity and liabilities	**42,307,701**	35,884,955

These consolidated financial statements were prepared by the Company and approved and authorized for issue by the Board of Directors on February 7, 2022 and signed on their behalf by:

Saad Sherida Al-Kaabi
Chairman and Managing Director

Abdulla Ahmad Al-Hussaini
Board Member

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Year ended 31 December	
	2021	**2020**
	QR '000	QR '000 *Restated*
Revenues	**14,169,123**	7,399,718
Cost of sales	**(8,164,794)**	(6,466,169)
Gross profit	**6,004,329**	933,549
General and administrative expenses	**(712,168)**	(480,855)
Selling and distribution expenses	**(59,285)**	(35,019)
Share of net results of investment in joint ventures	**2,479,297**	1,065,305
Share of net results of investment in associates	**105,329**	14,347
Income from investments	**229,284**	267,924
Finance cost	**(25,349)**	(37,354)
Fair value gain and bargain purchase gain on business combination	**--**	1,408,934
Impairment loss on property, plant and equipment and intangibles	**--**	(1,377,894)
Other income/expenses – net	**69,329**	86,709
Profit before tax	**8,090,766**	1,845,646
Income tax	**(669)**	(1,868)
Profit for the year	**8,090,097**	1,843,778
Attributable to:		
Equity holders of the parent	**8,088,978**	1,810,445
Non-controlling interest	**1,119**	33,333
	8,090,097	1,843,778
Earnings per share		
Basic and diluted earnings per share (QR per share)	**1.34**	0.30

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December	
	2021	**2020**
	QR '000	QR '000 *Restated*
Profit for the year	**8,090,097**	1,843,778
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Share of other comprehensive income of investment in Subsidiary		
Net unrealised gain on defined benefit obligation	2,853	2,034
Share of other comprehensive income of investment in joint ventures		
Net unrealised loss on defined benefit obligation	(894)	(18,864)
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of investment in associates		
Movement in cash flow hedges	**1,903**	(2,633)
Other comprehensive income / (loss) for the year	**3,862**	(19,463)
Total comprehensive income for the year	**8,093,959**	1,824,315
Attributable to:		
Equity holders of the parent	**8,092,840**	1,790,982
Non-controlling interest	**1,119**	33,333
	8,093,959	1,824,315

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital	Legal reserve
	QR '000	QR '000
Balance at January 1, 2020	6,050,000	158,148
Non-controlling interest arising from business combination	--	--
Acquisition of non-controlling interest	--	--
Profit for the year – *restated*	--	--
Other comprehensive loss for the year	--	--
Total – *restated*	6,050,000	158,148
Dividends declared for 2019	--	--
Social fund contribution	--	--
Transfer to legal reserve	--	18,765
Balance at December 31, 2020 – *restated*	6,050,000	176,913
Balance at January 1, 2021	**6,050,000**	**176,913**
Profit for the year	--	--
Other comprehensive income for the year	--	--
Total	**6,050,000**	**176,913**
Dividends declared for 2020	--	--
Social fund contribution	--	--
Transfer to legal reserve	--	**18,943**
Balance at December 31, 2021	**6,050,000**	**195,856**

Consolidated Financial Statements

Hedging reserve	Other reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total equity
QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
(4,080)	6,057	28,019,701	34,229,826	--	34,229,826
--	**--**	**--**	**--**	3,780,508	3,780,508
--	--	43,978	43,978	(3,792,959)	(3,748,981)
--	--	1,810,445	1,810,445	33,333	1,843,778
(2,633)	(16,830)	--	(19,463)	--	(19,463)
(6,713)	(10,773)	29,874,124	36,064,786	20,882	36,085,668
--	--	(2,420,000)	(2,420,000)	(3,810)	(2,423,810)
--	--	(48,855)	(48,855)	--	(48,855)
--	--	(18,765)	--	--	--
(6,713)	(10,773)	27,386,504	33,595,931	17,072	33,613,003
(6,713)	**(10,773)**	**27,386,504**	**33,595,931**	**17,072**	**33,613,003**
--	**--**	**8,088,978**	**8,088,978**	**1,119**	**8,090,097**
1,903	**1,959**	**--**	**3,862**	**--**	**3,862**
(4,810)	**(8,814)**	**35,475,482**	**41,688,771**	**18,191**	**41,706,962**
--	**--**	**(1,996,500)**	**(1,996,500)**	**(1,170)**	**(1,997,670)**
--	**--**	**(199,004)**	**(199,004)**	**--**	**(199,004)**
--	**--**	**(18,943)**	**--**	**--**	**--**
(4,810)	**(8,814)**	**33,261,035**	**39,493,267**	**17,021**	**39,510,288**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December	
	2021	**2020**
	QR '000	QR '000 *Restated*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the year	**8,090,766**	1,845,646
Adjustments for:		
Depreciation of property, plant and equipment and amortization of intangible assets	**1,413,063**	1,557,329
Amortisation of right-of-use assets	**36,683**	52,593
Provision for employees' end of service benefits	**49,521**	62,313
Fair value gain on business combination	**--**	(1,408,934)
Impairment loss on property, plant and equipment	**--**	1,369,811
Impairment loss on intangible asset	**--**	8,083
Share of net results from investment in joint ventures	**(2,479,297)**	(1,065,305)
Share of net results from investment in associates	**(105,329)**	(14,347)
Loss on disposal of property, plant and equipment	**94,547**	2,412
Dividend income from financial assets at fair value through profit or loss	**(13,196)**	(16,096)
Provision for expected credit losses	**1,722**	2,931
Fair value gains from financial assets at fair value through profit or loss	**(143)**	(38,996)
Gain on disposal of financial assets at fair value through profit or loss	**--**	(3,501)
Finance costs	**25,349**	37,354
Reversal of provision for inventory write down	**(996)**	(573)
Provision for obsolete and slow-moving inventories	**35,744**	30,702
Interest income	**(216,088)**	(251,828)
Impairment loss of investment in associate	**--**	10,000
Operating cash flows before changes in working capital	**6,932,350**	2,179,594
Changes in working capital		
Inventories	**(94,163)**	650,812
Trade and other receivables	**(2,046,394)**	(285,440)
Trade and other payables	**476,739**	(328,727)
Cash generated from operations	**5,268,532**	2,216,239
Payments of end of service benefits	**(48,021)**	(126,499)
Payments of income tax	**(1,747)**	(111,346)
Payments of social and sports fund	**(48,855)**	(59,572)
Net cash generated from operating activities	**5,169,909**	1,918,822

Consolidated Financial Statements

	Year ended 31 December	
	2021	**2020**
	QR '000	QR '000 *Restated*
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	**8,769**	1,681
Additions to property, plant and equipment and catalysts	**(494,595)**	(231,860)
Dividends received from investment in associate	**5,000**	2,549
Proceeds from disposal of financial assets at fair value through profit or loss	**--**	18,711
Dividends received from financial assets at fair value through profit or loss	**13,196**	16,096
Dividends received from investment in joint ventures	**2,571,304**	1,015,527
Movement in fixed deposits	**(2,533,512)**	1,812,454
Net cash addition from business combination	**--**	1,223,752
Acquisition of additional shares of subsidiaries	**--**	(3,748,981)
Interest income received	**132,288**	318,441
Net cash (used in) / generated from investing activities	**(297,550)**	428,370
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movement in trust receipt borrowings	**(26,715)**	26,715
Interest paid related to lease liability	**(19,812)**	(16,915)
Repayment of principal related to lease liability	**(24,705)**	(43,059)
Finance costs paid	**(5,537)**	(11,217)
Dividends paid	**(1,997,670)**	(2,423,810)
Net cash used in financing activities	**(2,074,439)**	(2,468,286)
Net increase / (decrease) in cash and cash equivalents	**2,797,920**	(121,094)
Cash and cash equivalents at beginning of year	**1,717,223**	1,838,317
Cash and cash equivalents at end of year	**4,515,143**	1,717,223

Notes to cash flow statement:

The following non-cash activities are entered into by the Group and are not reflected in the consolidated statement of cash flows:

- During the year 2021, the Group recognized additional right of use assets and lease liabilities amounting to QR 1.94 million (2020: QR 17.08 million).
- During the year 2021, the Group recognized lease modifications resulting reduction right of use assets and lease liabilities amounting to QR 3.20 million (2020: QR 11.98 million) and QR 3.64 million (2020: QR 11.85 million), respectively.

Notes to the consolidated financial statements are an integral part of the consolidated financial statements. For more information, please visit IQ's website: www.iq.com.qa

2021 Corporate Governance Report

2021 Corporate Governance Report

1. Introduction

Industries Qatar (hereinafter referred to as "IQ" or "the Company"), a Qatari public shareholding company listed on Qatar Stock Exchange, was incorporated on 19th of April 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. IQ then brought its Articles of Association into conformity with the provisions of Law no. 11 of 2015, promulgating the Commercial Companies Law, having regard to the peculiar nature of its incorporation.

QatarEnergy, 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 QatarEnergy's established rules and procedures. As part of its Board of Directors' efforts aimed at complying with the principles of corporate governance and applying industry-standard best practices, IQ management 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 26th of December 2011.

2. Scope of implementation of the governance and compliance with its principles

Out of a firm belief in the importance and necessity of entrenching the principles of good governance to ensure and enhance value creation to shareholders, IQ 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-censorship and integrity and acknowledging responsibility.

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

Industries Qatar 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 have been operating for decades in the petrochemical, fertilizers and steel industries. Industries Qatar went public by QatarEnergy 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 shareholdings.

Recognizing the peculiar nature of IQ's activities and the Company's strategic position as one of the main pillars of Qatar's economy, and taking into account the public interest, the Board, in accordance with the Company's amended Articles of Associations, consists (contrary to some provisions of Article no. 5 of QFMA Governance Code) of eight (8) Directors, seven (7) of whom are appointed by the Special Shareholder, provided that the Chairman and Vice Chairman are amongst them. One (1) Director is appointed by the General Retirement and Social Insurance Authority. The Special Shareholder "QatarEnergy" appoints 7 Directors on IQ Board for the following 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 is the founder, Special Shareholder and 51% majority shareholder.
- Industries Qatar and its subsidiaries/joint ventures depend on QatarEnergy for supply of feedstock and infrastructure.
- Industries Qatar and its subsidiaries/joint ventures depend on QatarEnergy for technical and technological support.
- QatarEnergy 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 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.

The aforementioned composition of IQ Board of Directors came as part of QatarEnergy's endeavor to enhance the participation of the General Retirement and Social Insurance Authority, the second largest shareholder in IQ, by enabling it to appoint one Director. The amendment to the composition of the Board of Directors was presented to and approved by the Company's Extraordinary General Assembly held on 13th of September 2020. The recent composition of the Board of Directors came into effect as from the new term of office that commenced on 1st of March 2021, the date on which the General Assembly held its meeting to approve the financial statements for the financial year ended 31st of December 2020.

Moreover, the Extraordinary General Assembly approved the addition of Article 22-3 which reads as follows: "In the event that the total ownership percentage of the Civil Pension Fund and Military Pension Fund (of the General Retirement and Social Insurance Authority) in the Company's share capital falls below 15% (without prior approval of the Special Shareholder), the seat of the General Retirement and Social Insurance Authority on the Board and the right to appoint a Director to occupy such a seat shall be vested to the Special Shareholder."

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. 4 of 2021 passed on 3rd of March 2021, IQ Board of Directors was reconstituted in accordance with Article no. 22 of the Company's Articles of Association (contrary to some provisions of Article no. 6 of QFMA Governance Code). Accordingly, seven (7) Directors were appointed by QatarEnergy with effect from 5th of March 2021 and one (1) Director was appointed by the General Retirement and Social Insurance Authority. In accordance with 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 one (1) Executive Director and seven (7) Non-Executive Non-Independent Directors as described in the Appendix on the Bios of Board Directors.

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 group companies' boards of directors can achieve the highest levels of performance and adopt the best governance practices.

QatarEnergy makes timely disclosure of any and all resolutions 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

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

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 QFMA.

The Board of Directors oversees all aspects of IQ corporate governance, monitors its effectiveness and makes amendments as required. The Board also reviews the Company's policies and procedures to ensure compliance with the relevant laws, regulations, IQ's 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 IQ internal regulations, including Board Charter, 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 IQ, 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 an 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 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 as the Chairman or Managing Director 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. 31-1 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, provided that the Chairman or the Vice Chairman is amongst them. In accordance with the amended Articles of Association, the Board met for the required number of times during 2021.

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

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

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

3-7 Board resolutions

In accordance with the Company's Articles of Association and 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.

As for circular resolutions in writing, 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 resolution in writing 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 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 ensures that Board documents are safely maintained and Board meeting agenda, invitations, other required documents, meeting minutes and resolutions are distributed and safely maintained. He/she also ensures that records are kept in accordance with the Company's internal regulations/Articles of Association, ensuring that these records are available upon request by the persons authorized to have access to. These records may include founding documents, lists of the names of Board Directors and their memberships and other official records. 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 15 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. 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. The BAC currently consists of 3 members, including a Board Director as Chairman, all of whom have the required experience necessary to effectively perform their duties and exercise all authorities and powers vested in or exercisable by the Committee. Committee Chairman is not a Chairman or a member of any other Committee.

According to the definition of the independent member in QFMA Governance Code, the composition of the BAC does not include independent members (contrary to Article no. 18 of QFMA Governance Code), as they are members of the Board of Directors appointed by the special and majority shareholder (owning 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.

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

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

Committee meeting agenda for 2021 covered the following:

1. Approve the External Auditor's report on the consolidated and standalone financial statements for the financial year ended 31st of December 2020.
2. Review and endorse the consolidated and standalone financial statements for the financial year ended 31st of December 2020 and present the executive summary report.
3. Endorse the appointment of the External Auditor for the financial year ending 31st of December 2021.
4. Endorse 2020 Corporate Governance Report.
5. Review and endorse the consolidated financial statements for the financial period ended 31st of March 2021 and present the executive summary report.
6. Review and endorse the consolidated financial statements for the financial period ended 30th of June 2021.
7. Review and endorse the consolidated financial statements for the financial period ended 30th of September 2021 and present the executive summary report.
8. Periodic review of internal audit activities, including risk assessment update, audit plan for the Company and its subsidiaries/joint ventures, conclusions, recommendations and related corrective actions.
9. Conduct annual self-assessment of Committee performance.
10. Present IQ 2021 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 2021, Committee met for the required number of times.

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

Name	Position
Mr. Abdulaziz Mohammed Al-Mannai	Chairman
Mr. Abdulla Ahmad Al-Hussaini	Member
Mr. Ayoob Olia	Member

All BAC members are IQ Board Directors, with the exception of Mr. Ayoob Olia who serves as QatarEnergy's Corporate manager - Internal Audit. Mr. Olia has long and extensive experience that is required to perform his duties and exercise all authorities and powers vested in or possessed by the Committee in an effective manner.

3-9-2 Remuneration Committee

The Company had established a Remuneration Committee pursuant to Board resolution no. 1 of 2018. Committee was reconstituted on 10th of February 2019 by resolution no. 1 of 2019. It 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 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 subsidiaries/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, taking into consideration many factors that best 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.

In 2021, Committee held two meetings during which it considered and made resolutions concerning:

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. Approve the proposed amendments to the policy of Board allowances and remunerations.
3. Propose the remuneration of Board Directors for the financial year ended 31st of December 2020.
4. Review the proposed remunerations of the subsidiaries/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.

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 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 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 currently consists of three members. A meeting was held on 1st of February 2021 to consider the proposed remuneration of the Board of Directors for the financial year ended 31st of December 2020. A recommended remuneration of QR 7,750,000 for all Board Directors was presented to and approved by the General Assembly held on 1st of March 2021. 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. Abdulla Ahmad Al-Hussaini	Chairman
Mr. Abdulrahman Al-Suwaidi	Member
Mr. Mohammed Jaber Al-Sulaiti	Member

All Committee members are IQ Board Directors, with the exception of Mr. Mohammed Jaber Al-Sulaiti who serves as the Manager of the Privatized Companies Affairs Department, QatarEnergy. Mr. Al-Sulaiti has long and extensive experience required to properly perform his duties and effectively exercise all authorities and powers vested in or exercisable by the Committee.

3-9-3 Nomination Committee

No Nomination Committee was established at the Company level (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 eight (8) Directors, seven (7) of whom are appointed by the Special Shareholder, provided that the Chairman and Vice Chairman are amongst them. One (1) Director is appointed by the General Retirement and Social Insurance Authority. The Special Shareholder "QatarEnergy" may appoint seven (7) Directors for the previously mentioned reasons which show how closely the Company's financial and operational performance is connected to QatarEnergy.

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 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.

The Remuneration Committee, at its first meeting of 2021 held on 1st of February 2021, reviewed the self-assessments of Board Directors for the financial year ended 31st of December 2020. 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 presented to the Company' Board of Directors at its first meeting of 2021 held on 8th of February 2021.

In its first meeting of 2022, the Remuneration Committee will review 2021 Board self-assessment and will make recommendations in this regard as part of its report to the meeting of the Board of Directors.

During 2021, 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 the Board 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 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 and in accordance with the decision of the Board Audit Committee, a benchmarking study of the components of the Company's internal control system against the internationally recognized COSO Internal Control – Integrated Framework (2013) was conducted to adopt COSO Framework as a benchmark. 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 IQ'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 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.

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, 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, 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's internal controls over financial reporting were assessed based on the Company' 2020 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 2020 standalone financial statements. The risk assessment, which involved application of "Materiality" on IQ' 2020 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 testing those controls that sufficiently address the assessed risk of misstatement to each relevant assertion. This process can be detailed as follows:

<u>Risk assessment:</u>

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 oroccurrence, completeness, valuation or allocation, rights and obligations and disclosures.

<u>Perform walkthrough:</u>

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.

<u>Test of internal controls:</u>

Following the risk assessment and controls identification, a control testing is conducted 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.

<u>Test of Design Effectiveness:</u>

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.

<u>Test of Operating effectiveness</u>

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

Evaluating identified deficiencies:

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

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

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

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

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

Remediation Testing:

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

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

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

4-1 Risk management

As a service provider under a service-level agreement, QatarEnergy' established risk management rules andregulations 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

The 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.

An Internal Auditor was appointed on 29th of March 2020 for five years to provide the Company and its subsidiaries/joint ventures, as instructed by the BAC and in accordance with the audit plan, with internal audit services as a "service provider".

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

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

The 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. The report includes assessment results of risks and applied systems at the Company, updates on audit work and related results and an assessment of the Company's performance as to applying the internal controls in accordance 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 the risk assessments, developed internal audit plans for 16 entities (Industries Qatar and its subsidiaries / joint ventures) and submitted these plans to the Board Audit Committee for review and approval. To date, the Internal Auditor conducted 4 audits according to the approved plan and presented the results to the Company's audit committee.

The approved internal audit plans, which were based on risk assessment, covered many areas across these entities, such as main operations (production, maintenance, inventory, industrial control systems, etc.) and support functions (finance and accounts, human resources, information technology, HSE, administration, supply chain, corporate governance, etc.)

4-2-2 External Audit

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

The General Assembly 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 years, starting 2019. 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 2021, the Company's General Assembly, at its meeting for 2020 held on 1st of March 2021, approved the appointment of Deloitte Qatar as the Company's External Auditor for 2021 for an annual fee of QR 310,440, inclusive of the external audit work and additional work of ICoFR and corporate governance assessment as instructed by QFMA, as well as the Company' compliance with QFMA Governance Code.

Taking into account the requirements of Article no. 24 of QFMA Governance Code, the scope of work of the External Auditor included 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.

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. The External Auditor attended and submitted their report to the General Assembly 2020 held on 1st of March 2021.

Deloitte Qatar, the External Auditor, submitted their report for the financial year ended 31st of December 2020 to the Company's Board of Directors on key accounting and auditing matters. They also submitted their independent assurance report on the Board of Directors 's 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 management assessment of internal control over financial reporting, is fairly stated, in all material respects, based on the criteria established in the COSO framework. They draw attention to the fact that the assurance report relates to Industries Qatar on a stand-alone basis and not to its subsidiaries and operations of joint ventures and associates (the "Group") as a whole. They also pointed out that their report was not modified in this respect.

In addition, the External Auditor submitted their independent report on the Board of Directors' report on compliance with the applicable Qatar Financial Markets Authority laws and relevant legislations, including the Governance Code for Companies and Legal Entities Listed on the Main Market. The External Auditor concluded that nothing came to their attention, based on their limited assurance procedure performed and evidence obtained, that caused them to believe that the Board of Directors' statement in sections (5-1), (4-3) of the annual corporate governance report on compliance with the applicable QFMA laws and relevant legislations including the Code, was not, in all material aspects, fairly stated as at 31st of December 2020.

The External Auditor presented their reports for the financial year ended 31st December 2020 to the Company's General Assembly, which was held on 1st of March 2021.

Moreover, the External Auditor's full independent reports, 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.iq.com.qa).

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.

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

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

Each and every company of IQ group companies/ 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 its Board of Directors, Board committees and other relevant executive committees, such as audit committees, institutional risk management committees, governance and compliance committees, process safety management (PSM) committees, social responsibility committees, health, safety, security and environment (HSSE) committees, tender committees, HR and Qatarization committees, information technology (IT) & cyber security committees and steering committees for projects and major turnarounds, contributing 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/joint ventures – who are sufficiently experienced to perform their duties effectively in the best interest of the group company/joint venture and dedicated to achieving its goals and objectives. Upon appointment, a Director shall 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 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.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.

On the other hand, during 2021, 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. No legal case was filed by or against the Company.

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

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 first 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.

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 consolidated 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.

During 2021, 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 recovered from subsidiaries/joint ventures.
- Annual dividends approved by the subsidiaries/joint ventures’ General Assemblies.
- Foreign exchange transactions made between Industries Qatar and its subsidiaries as part of managing cash and working capital needs at the subsidiaries/joint ventures’ level. 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 Industries Qatar, its subsidiaries/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.

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.

As approved by the Extraordinary General Assembly held on 4th of March 2018, the Company amended its Articles of Association 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 QE applicable rules and procedures. The register of shareholders is kept and updated by Qatar Central Securities Depository (QCSD). Under the agreement between Industries Qatar 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 and internal regulations 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.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.
(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 (iq@qp.com.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.

6-4 Shareholder rights to General Assembly

6-4-1 Attendance and invitation

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

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

6-4-2 Effective Participation

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

- Provides the shareholders with sufficient information in quality and quantity on the date, location and agenda of the general meetings, as well as complete and timely information regarding the matters to be discussed at the meeting to enable them to make a decision. This is achieved through announcing the meeting agenda in the local newspapers and posting it on the Company's own website. It also communicates the agenda to Qatar Stock Exchange for announcement on its website.

- Enables shareholders to directly pose questions to the Board Directors, place items (if any) on the agenda of the meeting, and to propose or object to resolutions, subject to the procedures established by law and applicable regulations in this regard.
- Provides 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.

For 2021, the following agenda of the Company's Ordinary General Assembly meeting was discussed and approved by the shareholders:

1. Listen to Chairman's message for the financial year ended 31st of December 2020.
2. Listen and approve Board of Directors' Report on IQ's operations and financial performance for the financial year ended 31st of December 2020, and Company plans.
3. Listen and approve External Auditor's Report on IQ's consolidated financial statements for the financial year ended 31st of December 2020.
4. Discuss and approve IQ' consolidated financial statements for the financial year ended 31st of December 2020.
5. Approve 2020 Corporate Governance Report.
6. Approve Board recommendation for a dividend of QR 0.33 per share for 2020, representing 33% of the nominal share value.
7. Absolve the Directors of the Board from liability for the financial year ended 31st of December 2020 and approve their remuneration.
8. Appoint Deloitte & Touche as the Company's External Auditor for the financial year ending 31st of December 2021 and approve their fees.

6-4-3 Election of Board Directors

IQ Board of Directors, in accordance with the Company's amended Articles of Association, consists of eight (8) Directors, seven (7) of whom are appointed by the Special Shareholder, provided that the Chairman and Vice Chairman are amongst them. One (1) Director is appointed by the General Retirement and Social Insurance Authority. Accordingly, the Company's AoA make no explicit provisions on the election of Directors and the procedures for nomination, voting and appointment.

The aforementioned composition of IQ Board of Directors is in accordance with the resolutions of the Company's Extraordinary General Assembly meeting held on 13th of September 2020 and came into effect as from the new term of office that commenced on 1st of March 2021, the date on which the General Assembly held its meeting to approve the financial statements for the financial year ended 31st of December 2020.

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 28th of February 2017 and pursuant to the resolution of the Extraordinary General Assembly held on 4th 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 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: IQ investment plans 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, Qatar National Bank, makes it easier for the entitled shareholders to claim their dividends for the year or previous years by making transfers to the accounts of the shareholders who provided their bank account details to Qatar Central Securities Depository or submitted a request for transferring their dividends to any QNB branch . The Company's website is updated with the required documents and all related details to claim dividends.

As for the resolution of the Company's General Assembly passed in 2021 for the financial year ended 31st of December 2020, the Assembly approved Board recommendation for a dividend of QR 0.33 per share for 2020, representing 33% 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 share capital. The maximum ownership of the company's share capital is 2%. Qatar Central Securities Depository (QCSD), the entity entrusted with managing the register of the Company's shareholders, ensures that this maximum ownership limit is maintained.

Moreover, the Company convened an Extraordinary General Assembly meeting on 4th of March 2018 to amend its Articles of Association and added an article on determining the Non-Qatari ownership percentage to a maximum of forty- nine percent (49%) of the portion of the shares listed on Qatar Stock Exchange

Details of shareholdings in IQ's share capital could be obtained from Qatar Central Securities Depository based on the register of shareholders. Details of major shareholdings as of 31st of December 2021 are as follows:

Shareholder	Approximate Percentage of Shares (%)
QatarEnergy	51.00%
Pension Fund - General Retirement and Social Insurance Authority	16.28%
Military Pension Fund	5.07%
Qatar Investment Authority	2.20%
Qatar Electricity and Water Company	1.78%
Other Shareholders	23.67%
Total	100%

IQ relies on QCSD to obtain valid up-to-date record of shareholdings. As per the information obtained from QCSD as at 31st of December 2021, 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)

IQ 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, 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 and its group companies are firmly committed to be exemplary in contributing to our community and engaging in its development. The Company, as one of the largest industrial conglomerates in the region and listed on 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/joint ventures, IQ contributes significantly to the comprehensive economic development, social welfare, environmental protection, job creation. The Company continues its efforts towards raising public awareness on matters that it considers not only important for the sustainable future of the country, but also aligned with IQ values by taking initiatives in areas such as:

1. Health, Safety and Environment: Establish and promote safety culture and measures, emergency preparedness, occupational health, HSE training, operational excellence, energy efficiency, environment management and environmental compliance by taking steps to reduce emissions, water management, waste management, and continuous investment in environmental projects to rationalize and make efficient use of the natural resources and minimize environmental impact.
2. People: Qatarization programs in line with QNV 2030 (partnership with educational institutions, internships, career fairs), diversified workforce, employee retention, training and development, promoting health and fitness and sports activities etc., and
3. Community: Support local procurement and country's economic development through participation in QatarEnergy's localization strategy (Tawteen) program initiated with the objective to maximize the sustainable in-country

value creation, upskill local talent, develop local suppliers and contractors and promote in-country private investment (approximately 72% of the total spending on procurements by group companies went for local procurement during 2020). In addition to community awareness activities such as fitness campaigns, donations, partnerships with non-profit and charitable societies.

As part of the Company's dedication to constructive engagement with the stakeholders and reaffirming its continued commitment to the environmental and economic development, Industries Qatar issued its inaugural 2020 sustainability report, which is available on the Company's website (www.iq.com.qa). The sustainability aspects in the report are summarized and presented at a consolidated level for IQ and its Group companies. The report represented an opportunity for IQ 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 2020, including but not limited to, no fatalities or lost time injuries were recorded among its employees and contractors and maintained reliable and safe operations. Major in-progress initiatives to reduce environmental impacts include projects such as Near Zero Liquid Discharge/Zero Liquid Discharge (NZLD/ZLD) programs to recycle process wastewaters.

The Group has embarked on a journey to implement a world-class Greenhouse Gas (GHG) Accounting and Reporting (A&R) program in line with QatarEnergy's approved procedure for GHG emissions.

QatarEnergy, the founder and special shareholder, ensures, through the technical and head office support provided to IQ and its group companies/joint ventures, 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 invested approximately QR 32.3 billion in various investment projects, resulted in a total dividend of QR 55.4 billion or QR 9.15 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 65%. 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.

The Social and Sport Contribution Fund

Pursuant to Law no. 13 of 2008 amended by Law no. 8 of 2011, a 2.5% of the Company's annual net profit is allocated to support sports, cultural, social and charitable activities. For the financial year ended 31st of December 2020, the 2.5% amounted to QR 48.8 million (2019: QR 59.6 million). The deducted amount was credited in full to the account of the Social and Sport Contribution Fund on 29th of March 2021.

For the financial year ended 31st of December 2021, the Company has allocated QR 199 million, representing 2.5% of its 2021 net profits, 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 2021 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.

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

Qualifications and Experience:

Mr. Saad Sherida Al-Kaabi joined QatarEnergy 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 QatarEnergy'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 QatarEnergy's President and Chief Executive Officer, where he oversees QatarEnergy'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 QatarEnergy, in addition to his position as President & CEO.

Other positions*: Chairman, Qatar Electricity & Water Co.

Number of shares in IQ: Nil

Appendix: Board of Directors Bios

Mr. Abdulaziz Mohammed Al-Mannai

Chairman of the Board Audit 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 Mesaieed Petrochemical Holding Company, and Qatargas. 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*: MPHC Board Director

Number of shares in IQ: Nil

Appendix: Board of Directors Bios

Mr. Abdulla Ahmad Al-Hussaini

Member of the Board Audit Committee

Chairman of the Remuneration Committee

Non-Executive member / Non-Independent

Qualifications and Experience:

Mr. Abdulla A. Al-Hussaini is currently QatarEnergy Executive VP, Marketing. He is responsible for the marketing, trading and shipping of crudes, petroleum and refined products, petrochemicals, fertilizers and LNG trading.

Prior to joining QatarEnergy in 2016, he worked for Qatargas where he held several LNG Marketing roles, including Marketing Director from 2011 to 2016.

In addition to his current role, Mr. Al-Hussaini is the Chairman of QatarEnergy Trading. He is also a board member of listed company Industries Qatar, and a board member of both Qatar Petroleum for the Sale of Petroleum Products (QPSPP) and Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat).

He previously served as a board member of Nebras Power and Ocean LNG, both based in Doha and South Hook Gas based in London.

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

Both currently and previously, he served in several board level committees related to audits, marketing and investment.

Mr. Al-Hussaini earned his bachelor’s degree in Business Studies from the University of Texas, Arlington.

Other positions*: Nil

Number of shares in IQ: Nil

Appendix: Board of Directors Bios

Dr. Mohammed Yousef Al-Mulla

Non-Executive member / Non-Independent

Qualifications and Experience:

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

Appendix: Board of Directors Bios

Mr. Abdulrahman Al-Suwaidi

Member of the Remuneration Committee

Non-Executive member / Non-Independent

Qualifications and Experience:

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

Mr. Al-Suwaidi has been the Managing Director and CEO of Qatar Fertiliser Company (QAFCO) since joining in 2016. Prior to QAFCO, Mr. Al-Suwaidi was with ORYX GTL, operating the world's largest LTFT GTL plant, from 2007 until 2016. He joined ORYX GTL as the Deputy General Manager seconded from QatarEnergy and was appointed CEO in 2009.

Mr. Al-Suwaidi started his career with QatarEnergy in 1987 and held a variety of technical and operational posts in QatarEnergy's onshore operations. Between 1998 and 2007, Mr. Al-Suwaidi held two managerial positions responsible for QatarEnergy'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.

Mr. Al-Suwaidi also serves as the Chairman of Qatar Chemical Group Companies Ltd. and a member of QAFCO Board of Directors.

Other positions*: Nil

Number of shares in IQ: Nil

Appendix:
Board of Directors Bios

Mr. Ahmed Abdulqader Al-Ahmed

Non-Executive member / Non-Independent

Qualifications and Experience:

Ahmed Abdulqader Al-Ahmed has recently been appointed as the CEO and Board Director of Qatar Fuel Additives Company (QAFAC). Holding a B.Sc. in Petroleum Engineering (with Honors) from King Fahad University of Petroleum and Minerals, Saudi Arabia.

He has almost 29 years of diversified experience in the oil and gas industry including exploration, field development, project management, strategic planning, downstream industries, and E&P investment and acquisition.

He joined QatarEnergy in 1992, during his time, he had undertaken a range of key positions in QatarEnergy and its subsidiaries. He oversaw surveillance and well operations of QatarEnergy's offshore-operated fields. He was then assigned as Deputy General Manager in Occidental Petroleum of Qatar Ltd (OPQL) before leading the Upstream International growth activities with Qatar Petroleum International (QPI). Then, and after QatarEnergy/QPI integration, Ahmed returned to QatarEnergy in 2015 to lead/manage existing QatarEnergy's International Upstream assets/ventures and continued to build the international upstream portfolio through organic/inorganic growth as well as leading the Domestic Exploration projects.

Other positions*: Nil

Number of shares in IQ: 90386

Appendix: Board of Directors Bios

Mr. Abdulrahman Ali A Al-Abdulla

Non-Executive member / Non-Independent

Qualifications and Experience:

Mr. Abdulrahman Ali A Al-Abdulla graduated 1992 in Science and Business Administration (major in Marketing) from University of Denver Colorado, USA.

Mr. Al-Abdulla brings a wealth of experience, cumulated over twenty eight (28) years of services in Qatar Petroleum (QP) and QP affiliates.

From the year 2000 and more than 11 years, he served as QAPCO Group Manager, Commercial and Marketing, where the Marketing Department was established and furnished with global marketing network and logistic services to cater more than 3000 customers in over 130 countries.

Mr. Al-Abdulla was appointed as Project Director to establish Muntajat in 2012, where the challenging assignment was successfully accomplished and he was then assigned as CEO and member of the Board of Directors of Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. (Muntajat).

He played vital roles in commercial, marketing and strategy for production from Downstream Producing Entities and Qatar Steel production; progressive growth in revenues and quantities to $8 billion and 16MMT (2019) as a result of leading multiple strategies.

Consistent with his social responsibility, towards the community in Qatar, he is serving as Board of Governance member of Qatar Academy (Al-Wakra).

In October 2020, he was appointed as the Managing Director and CEO of Qatar Steel Company starting from 1st January, 2021.

Other positions*: Nil

Number of shares in IQ: Nil

Appendix: Board of Directors Bios

H.E. Turki bin Mohamed Al-Khater

Non-Executive member / Non-Independent, representing General Retirement and Social Insurance Authority

Qualifications and Experience:

H.E. Turki M. Al-Khater, is the President of General Retirement and Social Insurance Authority, He is the Chairman of United Development Company, Vice Chairman of Masraf Al Rayan, and a Board Member of Ooredoo. previously Mr. Al-Khater held various high rank positions including Under Secretary of Public Health and Managing Director of Hamad Medical Cooperation.

H.E. has diverse background and extensive experience in business and finance.

Mr. Al-Khater received his B.S. in Economic from Portland State University, USA.

Other positions*:

- Chairman of United Development Company, representing Civil Pension Fund
- Vice Chairman of Masraf Al Rayan, representing General Retirement and Social Insurance Authority
- Ooredoo Board member, representing General Retirement and Social Insurance Authority

Number of shares in IQ: Nil

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

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Industries Qatar

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