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CORPORATE GOVERNANCE REPORT

2016

QIC

شركة قطر للتأمين
Qatar Insurance Company



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2016

In accordance with the requirements of Article (31) of the Corporate Governance Code for listed companies in the principle market the Board of Directors of Qatar Insurance Company are pleased to provide its annual corporate governance report for the year 2016 which repeats some information contained in corporate governance reports of previous years which the Company has again provided for the benefit of new shareholders and investors and to clarify the observations of regulatory authorities.

INTRODUCTION

Corporate Governance is essentially seen as a governance system for management to direct and control the activities of the Company by ensuring integrity, transparency and honesty in managing the affairs of the Company rather than viewing it as a legally imposed obligation. Corporate Governance inspires and enhances the confidence of shareholders and strengthens their affiliation to the Company.

Sound Corporate Governance practices create a culture of institutional awareness and adherence to a culture of transparency, honesty and integrity ensuring ethical business practices upholding the principles of equity and justice in the company's pursuit of identifying business opportunities and building capabilities to achieve sustainable growth and value creation.

As a responsible company, Qatar Insurance Company maintains integrity and credibility in all its affairs, and is committed to transparency and to enhance and strengthen its Corporate Governance practices to meet global standards.

Qatar Insurance Company recognizes that governance system is not merely a compliance or control tool but is a platform and the main engine for sustainable growth and development striving to improve it at all times. The Company continues to pursue excellence in governance and responsible management practices as it believes that the success in achieving global standards of professional conduct would aid it being managed in a better and more comprehensive manner.

Qatar Insurance Company QSC was established in 1964 with the participation of the State of Qatar together with few strategic corporate and individual investors who brought in a culture of sound internal control system and oversight from the very inception itself which benefited the

Company in complying with the relevant legislation, rules and regulations on corporate governance in general and the insurance operations in particular applicable in the State of Qatar. All these had a positive impact on the Company's performance and the distinct class it attained amongst other insurance companies in the region.

The company's shares are listed on the Doha Securities Market (DSM) since 1997.

Based on a review of the internal governance and control system of the Company since its incorporation, based on the Commercial Company Law No 5 of 2002 and the amendments thereon and the Company's amended Articles of Association (AOA) and as also required by its regulators, the Company has complied to a large extent with the requirements and principles of Corporate Governance though the relevant section names and rules may be different from that stated in the Corporate Governance Code of the QFMA. The Company achieved the goals and objectives sought by the Code of its sections which means the Company meets the governance standards as internationally recognized.

The Company has amended the name of the titles of different sections to conform to that contained in the Corporate Governance code and its amendments within the limitations of the existing legislation for business, and in particular Law No (1) of 2015 promulgating the Commercial Companies Law and its amendment.

Law No. (13) of 2012 promulgating the Law of Qatar Central Bank and Regulation of Financial Institutions which came into force with effect from 31.01.2013 brought the Company subject to the supervision of the Central Bank of Qatar.

His Excellency the Governor of Qatar Central Bank issued Circulars, including the transitional arrangement for application of the conditions stipulated in the law within a stipulated time period, which was extended until the issuing of the

Insurance Executive Instructions and Principles of Governance for Insurance Companies circulated under the decision issued by His Excellency the Governor No. (1) for the year 2016 on 28th March 2016.

One of the most important transitional arrangements set forth in these Circulars is the continuing validity of the license issued to the Company by the Ministry of Business and Trade according to the Legislative Decree No. (1) for the year 1966, while waiting for the Central Bank to issue necessary licenses. Relatively, the company was issued licenses under this transitional arrangements for the years' 2016 and 2017.

The Company is pleased to report compliances to the Corporate Governance Code as under:

1. GOVERNANCE CHARTER

The Company has developed a charter of governance which includes the principles, rules and the practical applications of the system of governance as contained in the Corporate Governance code issued by the Board of Directors of the Qatar Financial Markets Authority in its meeting held on 27.01.2009. QFMA's recommendations on corporate governance is a guide to the companies for the effective application of governance system providing a framework for its performance in order to achieve vision of the future and takes into account the best international standards of corporate governance, including, but not limited to those set by the Organisation for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), the International Corporate Governance Network (ICGN) and The Institute of International Finance (IIF). The Company's charter also takes into account the provisions of the Commercial Companies Law of the State of Qatar and of the securities market, in addition to Company's statute and the nature of the activity practiced.

This Charter will be amended from time to time to keep pace with development in global governance systems and the requirements of the regulatory authorities in the State of Qatar.

The Charter was adopted by the Board of Directors in its meeting held on 16.10.2012 and is currently under review to comply with the QCB Insurance Executive Instructions and the Principles of Corporate Governance for Insurance Companies.

2. BOARD OF DIRECTORS

A) Board Charter

The Charter of the Board of Directors was prepared in accordance with the model charter contained in the Corporate Governance Code of QFMA and in accordance with the provisions of the Commercial Companies Law No. (5) of 2002. The Charter lays down the membership conditions, terms of reference, responsibilities and duties & rights of the Board members. This Charter will be amended to comply with the provisions of the new Commercial Companies Law No. (11) 2015 and Insurance Executive Instructions and Principles of Corporate Governance of Insurance Companies issued by Qatar Central Bank.

B) Board of Directors:

The Boards of Directors are elected through the General Assembly of Shareholders in accordance with the rules and conditions set forth in the Commercial Companies Law and the Articles of Association of the Company in terms of which a Board Member is required to hold a minimum of not less than 200,000 (two hundred thousand) shares of the Company. The Company has not yet adopted "The principle of cumulative voting" when electing Board members, as directed in the Corporate Governance Code of QFMA. With an aim of enforcing this principle, Qatar Financial Markets Authority have published and communicated to listed companies the need to comply with the provisions of the Article (96) of the new Commercial Companies Law No. (11) for the year 2015, on the voting rules when electing members of Board of Directors.

Article no. (97) of the new Commercial Companies Law lists out the conditions to be met by a member of the Board of Directors. The aforesaid Article makes a reference to the AOA of the Company regarding determination of the number of shares that need to be held by an individual before he is nominated for Board membership.

The Article provides that one-third of the Members of the Board of Directors can be Independent Members (non-shareholders) with expertise and who are exempted from the condition of owning shares.

However, the Company believes that the aforesaid law does not include in its basic text any other required conditions to determine whether a proposed Board member has professional skills, technical expertise and qualifications which the Company can give to shareholders as stipulated in Article (27/1) of the Corporate Governance code of QFMA. It is left to the candidate himself to display that he possesses these requirements and on why he should be considered for the Board membership over any other candidates.

Therefore the Company would wait for introduction of relevant legislation providing such additional eligibility requirements for appointment of an individual for Board membership.

The present Board members were elected as the Board of Directors for the period 2014-2016 in the Annual General Meeting (AGM) of the Company held on 16.02.2014.

The following are the present board members of the Company who are Qatari individuals having several years of varied experience in financial and macro-economic segments of the economy;

S No.	Name of Board member	Represented by	No. of shares owned*	% of capital	Profile	Category
1.	Sheikh Khalid Bin Mohammed Bin Ali Al-Thani Chairman & Managing Director	Self	5.466.688	2.27%	Businessman and former Minister	Non-independent executive
2.	Mr. Abdullah Bin Khalifa Al-Attiya Deputy Chairman	Self	2.041.792	0.85%	Businessman and Minister of State, holds a BA in Political Science from United States; Chairman of Gulf Publishing & Printing Company; Chairman of Board of Directors of Contraco Contracting Company.	Non-independent non-executive
3.	Mr. Hussain Ibrahim Al-Fardan Member	Self	1.529.672	0.63%	Businessman, Chairman of Al Fardan Group; Managing Director of Commercial Bank; and a founding member and board member of Investcorp Bank in Bahrain, Deputy Chairman of the Gulf Publishing and Printing Company, Deputy Chairman of the Qatari Businessmen Association.	Non-independent non-executive
4.	Mr. Jassim Mohammed Jaidah Member	Jaidah Motors & Trading Company	2.200.000	0.91%	Businessman, Chairman of the Board of Directors of Jaidah Group.	Non-independent non-executive
	Sheikh Hamad Bin Faisal Bin Thani Al-Thani Member	Self	1.621.519	0.67%	He holds a BA in Political Science from the United States; Chairman of the Board and Managing Director of Al Khaliji Bank and a former Minister of Economy and Trade; Deputy Chairman of Qatari Investors Group; Board member of the Qatari Businessmen Association	Non-independent non-executive

S No.	Name of Board member	Represented by	No. of shares owned*	% of capital	Profile	Category
6.	Mr. Khalaf Ahmed Al-Mannai Member	Government of State of Qatar	24.319.574 Civil Service Retirement Fund; 9.269.740 Military Retirement Fund	10.09% 3.84%	Under Secretary of the Ministry of Finance; a member of Al Shura council; a member of the Board of Directors of QLM and Qatar Central Bank.	Non-independent non-executive
7.	Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani Member	Mirqab Capital Company	2.620.961	1.09%	Chairman of the Board of Directors of Qatar Islamic Bank and Damaan Islamic Insurance Company (BEEMA).	Non-independent non-executive
8.	Sheikh Faisal Bin Thani Bin Faisal Bin Thani Al Thani	Broog Trading Company	12.056.932	5.0%	He holds a BA in Business Administration from Marymount / USA. He served as a chairman of the Board of Director of Qatar Finance and Business Academy. Deputy Director of Investment department at Qatar Central Bank. Currently he is the Chairman of Investment in Qatar Foundation Endowment and deputy Chairman of the Board of Directors of Vodafone Qatar	Non-independent non-executive
9.	Sheikh Saoud Bin Khalid Bin Hamad Al-Thani Member	Self	655.776	0.27%	Businessman and former Minister; Chairman of the Board of Directors of QLM; Board member of Qatar Electricity & Water Company.	Non Independent non-executive

* Number of shares owned and percentage of capital is as at December 31/12/ 2016. Currently it is not possible to classify the existing Board members as 'executive', 'non-executive' and 'independent', as the election of the Board members which was conducted in accordance with the existing rules and regulations of the Commercial Companies Law which had been in place at the time of the Board election of the current session (2014 – 2016) , does not stipulate a need for such classifications.

According to the provisions of Article (9) of the New Corporate Governance code and the definitions contained in this regulation all Members of the Board of Directors of the Company in the current session (2014 - 2016) are non-independent directors and all members of the Board are non-executive members except HE Chairman of the Board and Managing Director in his capacity as Managing Director of company.

The requirements of the corporate governance code in this regard will be taken into consideration in the next election of the board of Directors after the new Commercial Companies Law authorized the presence of Independent Members who are non-shareholders.

C) Board's functions and responsibilities

The Board of Directors is responsible for the management of the Company and is responsible for setting goals and strategies necessary to operate the Company and monitor implementation of the strategies carried by the executive management of the Company and the Committees of the Board. This is as per the duties, responsibilities and powers of the Board and Chairman of the Board as laid down in the Articles of Association and provisions of the Commercial Companies Law that ensures company's commitment to a sound Corporate Governance. This is reviewed and updated periodically to meet changing needs of good governance as required under the relevant laws and regulations and its Articles that enshrines sound business ethics, professional business conduct and high corporate values that is drilled down in the internal policies, systems and procedures which all members of the Board of Directors and staff of the Company are committed to follow.

The Board is assisted by a number of Board Committees which operates within the mandate and responsibilities as entrusted by the Board of Directors as mentioned later in this report.

This Annual Report prepared by the Board of Directors is a comprehensive assessment of the Company's performance during the year and the results of its activity.

The General Assembly determines the directors' remuneration based on the recommendations of the Board. The remuneration is determined in light of the results of the activity of the Company and the limits stipulated by the new Commercial Companies Law (Article 119), the amended articles of association (Article (60) and the QCB Executive Insurance Instructions.

D) The Duty of trust of the members of the Board of Directors

Each member of the Board of Directors owes a duty of due diligence, care and trust to the Company and adherence to authorities as defined in the relevant laws and regulations in the Charter of the Board of Directors and they all work on the basis of clear information, transparency, good faith, care, trust and efficiency needed to achieve the Company's interest and that of the shareholders.

E) Duties of the Chairman of the Board:

Chairman of the Board is responsible for the proper functioning of the Board. The Chairman makes sure that he discusses all the key issues in an efficient and timely manner, in addition to his responsibilities and powers set forth in the Commercial Companies Law and the Statute of the Company and as per Corporate Governance requirements. The Chairman of the Board does not participate in the membership of any of the committees of the Board of Directors. The Chairmanship of the Board and the office of the Chief Executive Officer of the Company are separate functions and are held by different individuals.

F) Duties of the Managing Director

i. To act as a link between the Board of Directors and executive management and to translate the objectives set by the Board of Directors and to ensure that they are efficiently achieved.

- ii. To discuss and review the strategies and the long term plans for the Company presented by the executive management and give guidance that enables the Company to meet the challenges of the market.
- iii. To ensure that the overall business directions are aligned with the Company objectives and targets as set by the Board of Directors.
- iv. To approve/make recommendations to the Board of Directors for investment, restructuring, refinancing and other strategic initiatives.
- v. To provide periodic reports to the Board of Directors on the performance of the executive management.
- vi. To monitor the execution of Company's policies-administrative, financial and technical - approved by the Board of Directors.
- vii. To ensure that the executive management and all authorities within the Company, including any authorized Committees are working within their established financial and administrative authorities.
- viii. To consider the recommendations of the various Committees established by the Company.

Duties of the Chairman of the Board – As a Managing Director, the functions of the Chairman does not include any executive functions, but it is considered as a link between the Board of Directors and the Executive Management to communicate the targets set by the Board of Directors and ensure its proper implementation. However, at the direction of the Board, amendments will be compatible with the Board's vision in this respect, taking into account not to combine the post of Chairman of the Board and the post of Managing Director at the forthcoming session of the Board of Directors (2017-2019).

G) Other duties of the Board of Directors:

- i. The Board of Directors shall ensure access to information, documents and records relating to the Company for the Board members and ensure that the executive management of the Company provides the Board and its Committees with all the required documents and information;
- ii. The Board of Directors shall ensure that the Board invites members of its various committees and internal auditors and representatives of the external auditors to attend meetings of the General Assembly of the Company.
- iii. The Board shall develop a training program for newly appointed members of the Board to ensure that they have a proper understanding of the functioning of the Company and its operations, and that they understand and are fully aware of their responsibilities through their involvement in the membership of various Committees.
- iv. The Board of Directors is responsible to have a good perception of their role and duties and to educate themselves in matters concerning the Company.
- v. The Board of Directors shall ensure that it always keeps its members up to date on developments in the field of corporate governance and best practices in this regards.
- vi. The Board shall ensure that the members are aware of the statute of the Company and clear procedures for the dismissal of members of the Board in case of any absence from the Board meetings.

H) Board Meetings:

In terms of applicable provisions of Commercial Companies Law, the Board shall meet at least six times in a year. During the year 2016 the Board held six (6) meetings which were attended by all members of the Board personally or through their representatives.

According to the Commercial Companies Law and the Statute of the company, if a Member of the Board fails to attend three consecutive meetings or four meetings without an acceptable excuse, he is considered as having resigned.

Article 33 of the revised AOA of the Company states that the Board of Directors will meet at the invitation of its Chairman and the Chairman shall convene a meeting of the Board at the request of two of its members.

All meetings of the Board of Directors which were held in 2016 at the invitation of Chairman of the Board for which letter of invitation for the meeting along with the agenda of the meeting was sent to all the Board members a week before the date fixed for the meeting which also entitled each member of the Board to add any other topic for discussion as the agenda always includes the item to discuss "any other business".

I) The Secretary of the Board

The Secretary of the Board is Mr. Ali Ali Derbala, Legal Counsel of the Company, who holds a Bachelor's degree in Law (1970) from the University of Alexandria, Egypt and worked as a lawyer since his graduation in November 1970 under the Egyptian Bar Association. He joined Misr Insurance Company in April 1971. He is registered as a lawyer with the Egyptian Court of Cassation since 1986 and joined the Qatar Insurance Company in November 1987 and has been the Secretary of the Board of Directors since 1988.

The Secretary of the Board maintains all documents of Board meetings and the reports submitted and presented to the Board. The Secretary ensures the delivery and distribution of information relating to the Company as requested by members of the Board. The Secretary arranges to provide clarifications to all queries raised by the members and provides advice to them as required. He coordinates between the Board and other stakeholders, including the Company's shareholders, management and staff.

J) Related Parties

For all dealings with related parties, the Company applies its policy on 'related party transactions' which is established in accordance with the provisions of applicable legislation, Commercial Companies Law and Corporate Governance, to ensure maximum transparency, fairness and disclosure.

3. BOARD COMMITTEES

The Committees of the Board assists the Board in performance of its duties and functions, the development and implementation of plans and strategies and fulfillment of its overall responsibilities in the management of the Company.

The Committees meets periodically to discuss and debate on issues raised and to determine what is necessary to achieve its objectives, and displays the records of its meetings and its decisions and recommendations to the Board in its annual report.

In addition to the standing Committees, the Board of Directors may form any other Committees as and when required to carry out specific tasks or functions.

There is no separate Remuneration Committee but the Business, Strategy & Compensation Committee, in addition to its role of deciding the policy for the Company has determined Remuneration Policy of the Company.

Presently, the Board has set up the following Committees:

- A) Investment Committee;
- B) Business, Strategy and Compensation Committee;
- C) Audit, Risk and Compliance Committee; and
- D) Nominations Committee.

A) Investment Committee

The Investment Committee of the Board performs the following functions;

- i. Frame investment policy of the Company in accordance with its mandate from the Board and to develop an investment strategy for its dealings in the markets.
- ii. Set limits to the powers of the executive management in the investment department and take the necessary decisions in excess of these limits.
- iii. Monitor the management of portfolio securities of the Company in order to achieve the best possible returns while maintaining diversity of qualitative and geographical investment and create a balance to mitigate risks taking into account the need to maintain the liquidity necessary to meet obligations of the Company.
- iv. To discuss potential investment initiatives by using surplus funds and make recommendations to the Board on the potential opportunities for investment partnerships.
- v. To report to the Board about the results of activities of the Committee and recommendations for the issues that need approval of the Board.

Committee members

The present members of the Investment Committee of the Board are:

- i. **MR. HUSSAIN IBRAHIM AL-FARDAN**
Chairman
- ii. **MR. JASSIM MOHAMMED JAIDAH**
Member
- iii. **SHEIKH HAMAD BIN FAISAL BIN THANI AL-THANI**
Member
- iv. **SHEIKH JASSIM BIN HAMAD BIN JASSIM BIN**

JABOR AL-THANI

Member

v. SHEIKH FAISAL BIN THANI BIN FAISAL AL-THANI

Member

The following members of the Executive Management attend these meetings.

- i. **KHALIFA ABDULLA TURKI AL SUBAEY**
Group President & Chief Executive Officer
- ii. **ALI SALEH AL FADALA**
Senior Deputy Group President & CEO
- iii. **SUNIL K. TALWAR**
Group CEO – International

Periodical and exceptional reports were reviewed during the meetings of the Committee in the year 2016. These reports were prepared by the investment management clearing the investment position of the group. Necessary resolutions were passed by the Committee during the year whereas some of the resolutions were approved by circulation.

The following were the important resolutions approved by the Committee:

1. Sale of QFC Tower to Al Liwan was concluded on 1st Feb 2016. The sale consideration was QR 360 MN and the sale resulted in a one off gain to QIC of QR 180 MN.
2. The acquisition of Victory Point in Frimley, UK. QIC acquired the property for GBP 48 MN. The property is leased to BAE Systems PLC for a 15 year term (without a break clause). Rental value is revised every 5 years. The property earns GBP 3.50 MN as rental income resulting in a pretax rental yield of 7.29% p.a.

3. Executing the second tranche of the remaining size of credit default swap risk with Qatar Airways with (US\$ 300 Million) - Project Flight Part II- for US\$ 150 Million at a spread of 1.85% PA which was higher than the 1.5% PA done during the first tranche, due to movement in market interest rates.
4. Approved study with intention of investing in (25%) the equity of a property based in Dubai- "upon learning activity of the International School of Heartland" The total value of the project is about 370 million UAE dirhams (60% funded by a bank loan) and the expected earnings about (7.75%) annually, The balance of the transaction would be placed either pre or post the completion of the transaction with other investors.
5. Resolved that QIC be authorized to take positions on foreign exchange derivatives with both financial and other counterparties with a limit of US\$ 150 Million for the purpose of managing QIC Group's currency exposure efficiently in light of internationalization of the business. This requires to be done using FX Derivative contracts.

B) Business, Strategy and Compensation Committee

Business, Strategy and Compensation Committee undertakes the following tasks:

- i. Ensure that the Vision of the Board is translated into objectives, strategies and action plans and implementation of such plans and objectives.
- ii. Authorize and agree to accept the risks / benefits / work projects / expenses exceeding the authority limits of the Group President & CEO or those that need specific approval of the Committee.
- iii. Approve the organization structure of the Company and any changes, and all matters related to the changes in compensation in

the Company.

- iv. Adoption of Policy for granting bonus and incentives to the executive management in line with the performance reports and results, as deems appropriate to the Board, and development of rules for bonus and allowance of the members of the Board as well as recommendations for the board membership at the end of the year, in line with the provisions of the Commercial Companies Law (Article (119), the amended articles of association (Article) (60) and Qatar Central Bank Executive Insurance Instructions.
- v. Follow Company's commitment to its social and environmental responsibilities and care , policy on conferences and seminars, economic, cultural and sports, donations and subsidies, over what is defined under the law no. (13) for the year 2008 on support activities.
- vi. To report to the Board on its activity and its observations and recommendations.

The Business Strategy and Compensation Committee handled the Remuneration Committee task, and an independent Reward Committee will be created in the beginning of the new session of the Board (2017-2019).

The present members of the Committee of the Board are:

- i. **MR. ABDULLAH BIN KHALIFA AL-ATTIYA,**
Chairman
- ii. **MR. HUSSAIN IBRAHIM AL-FARDAN**
Member
- iii. **MR. KHALAF AHMED AL-MANNAI**
Member

The Group President & CEO together with the executive management participates in all the meetings of the Committee.

The Committee held three meetings during the year 2016, during which a number of important decisions were taken in addition to decisions taken by circulation with the approval of all Members.

The following were the most important decisions taken during the year:

1. Approved to open new branch offices in the UK, Italy and China for the international subsidiaries of the QIC Group.
2. Successful completion of the rights issue, with the share capital of the company increasing to Qr. 2.4 billion and the total equity for the company reaching Qr. 8 billion.
3. Approved the proposal, to inject US\$ 200 million as additional equity capital in Qatar Re through QIC Capital to be followed by the issuance of Tier 2 notes at Qatar Re up to US\$ 450 million.
4. Taking into consideration the capital adequacy challenges from the rating agencies, agreed to propose to the Board the following cash/ bonus distribution for the year 2016. Cash Dividend at 10 % + Bonus Share at 15 %.
5. Approved that the management and staff bonus/incentive for the year 2016, be at maintained 5.50 % of the net profit for the year.
6. Directors' remuneration and benefits for the year 2016, in accordance with Qatar Central Bank instructions.
7. Approved the funding of £ 35 million as advance payment to Mr. Kevin Spenser of Markerstudy Holding Limited, UK (MHL) as part of an ongoing business arrangement with QIC - which is secured against shares in MHL and other personal guarantees.

C) Audit, Risk and Compliance Committee:

The Audit, Risk and Compliance Committee are committed to undertake the following tasks:

- i. Make necessary recommendation to the Board on appointment of external auditors;

discuss their reports & comments and take necessary action.

- ii. Appointment of internal auditors, approve internal audit plans and strategies, discuss their periodic reports and issue necessary guidance and directions.
- iii. Adoption of internal control systems to ensure compliance with laws and regulations governing the activities of the Company including but not limited to law related to anti-money laundering and counter terrorist financing.
- iv. Approve risk management framework and discuss periodic reports in accordance with the established framework for the Company. To review and approve overall risk retention policy for the Company including maximum limits for insurance risks accepted and the maximum retention limits.
- v. Approve rules & regulations, system and policies to ensure implementation of action plans efficiently and effectively in line with local requirements and global standards as per the directives of the Board.
- vi. Submit its report to the Board on internal audit, corporate governance, compliance, risk management reviewed during the year and submit its opinion on the matters reviewed by the Committee.

The present members of the Audit, Risk and Compliance Committee of the board are:

- i. **MR. KHALAF AHMED AL-MANNAI**
Chairman
- ii. **MR. JASSIM MOHAMMED JAIDAH**
Member
- iii. **SHEIKH SAUD BIN KHALID BIN HAMAD AL-THANI**
Member
- iv. **SHEIKH FAISAL BIN THANI BIN FAISAL AL-THANI**
Member

The executive management participates in all the meetings of the Committee.

At present, it's not possible to have majority of Independent Board Members for the Audit, Risk and Compliance Committee since all Members of the Board of Directors in its current session (2014-2016) are non-independent, but this situation will be amended after the new Commercial Companies Law allowed the existence of the independent Members.

The Committee held four meetings during the year 2016, during which the following actions were made;

1. The QIC Financial Statements and External Auditors Report for the year 2015 were approved.
2. Reviewed and approved Annual Plans for the Internal Control functions for 2017 for the QIC-Group.
3. Approved the proposal of appointing Ernst & Young as the Group's External Auditor for the year 2017.
4. Group Internal Audit and Risk Assurance function presented reports. The deliberations included the subsequent actions of Management.
5. Updates and subsequent actions from the Group Compliance and Group Risk Management functions were presented and discussed.

D) Nominations Committee:

This Committee is included in the new organizational structure of the Company and will be activated once the relevant legislation is introduced and the Committee will exercise such powers set to nominate committee members in line with the Corporate Governance requirements.

4. GENERAL MANAGEMENT (EXECUTIVE):

The Executive Management of the Company is responsible for implementation of the set strategies

and translates the goals and policies established by the Board to short and long-term plans. The approved business plan is implemented through the relevant heads of the units and departments which operate within the Board approved financial and administrative authorities. They provide the Board and its Committees with all information and documents, data and statistics they require for their review and decision.

The CEO of the Company is Mr. Khalifa Abdullah Turki Al-Subaey. He holds a BA in Economics and Political Science from the University of Michigan, USA (1981). He joined Qatar Petroleum as Chief of the Department of Insurance in 1982 and thereafter joined Qatar Insurance Company in 1986 as General Manager and then as the Chief Executive Officer of Qatar Insurance Group and represents Qatar Insurance Company on the boards of Damaan Islamic Insurance Company (BEEMA) and other QIC group entities.

5. STRUCTURE

Commensurate with its operational requirements the Company maintains an efficient and sound organization structure to effectively govern and manage the business of the Company including all administrative, technical and financial operations of the Company. All major changes to the organization structure are approved by the Business, Strategy and Compensation Committee prior to its implementation.

Upon the recommendation of M/s Oliver Wyman, the new organizational structure of the Company has been put in place and new appointments of positions associated with it have been made and the Administrative and Financial Authorities of the Executive Management have been amended in line with the new structure.

This new Organization Structure provides for 'Nomination Committee' and as commented elsewhere in the report, it will be activated upon introduction of the necessary legislation.

6. CONTROL FUNCTIONS

In 2016, QIC reorganized its Control Functions by consolidating them under the Governance Risk and Compliance (GRC) pillar. The approach was necessary in response to the company's higher business complexity, emerging regulatory environment and increased focus on internal and external accountability which have placed great responsibility on Senior Management. The GRC pillar has therefore integrated the Company's governance, risk, and compliance initiatives with an aim of adding significant value, providing the necessary competitive advantage and hence, assisting management with the control of the business.

The Control functions under the GRC pillar have full access to the Audit, Risk and Compliance Committee of the Board and include the following functions:

- Group Risk Management
- Group Compliance
- Group Actuarial

The Group Internal Control and Risk Assurance department, which is not part of the GRC pillar, reports directly to the Board of Directors through the Audit, Risk and Compliance Committee of the Board.

A) Group Risk Management

The Group's Enterprise Risk Management Function is responsible for risk, capital management as well as exposure monitoring of the QIC Group. In liaison with the different business areas, the function performs a qualitative and quantitative assessment of exposures against the defined tolerances and report to the respective Entity Level Risk Committees, Group Risk Committee and the Audit Risk Committee of the Board.

Additionally, stress and scenario testing is also used in setting strategy and in business planning to identify possible events and future changes in economic conditions that could have unfavourable effects on the business plan and financial standing. The Group Risk Management

function also assist other departments within the QIC Group in emerging risk assessment, capital management etc.

B) Group Compliance

The QIC Group considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group Compliance team together with the compliance functions of the respective business clusters and units, facilitates the management of compliance through the analyzing of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

The monitoring of regulatory requirements include due diligence procedures and the reporting to relevant agencies with an aim to combat money laundering and the financing of terrorism. In addition, the Group Compliance function undertakes screening checks against applicable sanctions watch lists.

C) Group Actuarial

The Group Actuarial Function was created in order to support the Group across all areas where actuarial support is typically sought and also to coordinate as well as assist the existing actuarial teams already embedded in the international entities of the Group. The areas requiring actuarial support consist of the three main functions: the Reserving function which ensures the Group is adequately reserved to face its future liabilities; the Pricing function which helps assess and drive the profitability of the business in a strategic manner; the Capital Modelling function which assesses the amount of capital required to run the business and used in the most optimal way.

D) Group Internal Audit & Risk Assurance:

This function carries an independent review of the internal control and governance systems reporting on the existence, effectiveness and/or weaknesses of such systems covering risk management, system for maintaining and safeguarding assets and financials etc of the Company. It also reviews

the effectiveness of the compliance machinery and functions as an internal control tool of Management by providing assurance to the Board of the existence of sound internal control systems in the Company commensurate with size and nature of its business.

7. AUDITOR

The shareholders at the Annual General Meeting of the Company held on 21.2.2016 reappointed Deloitte & Touche as the external auditors for the year 2016, on the recommendations of the Board of Directors. The Company will review the appointment of the external auditor of the Company after every 5 (Five) years as laid down in the Corporate Governance code for listed companies in the principle market and Qatar Central Bank Executive Insurance Instructions.

8. DISCLOSURE

The Company is fully committed to all disclosure requirements as required under existing legislations and regulations of various regulatory authorities and has fully complied with the requirements set forth in this regard in the Corporate Governance rules and the Principles of Corporate Governance for Insurance Companies issued by the Central Bank of Qatar.

The most important requirements in this regard relates to the publication of information on shares of the Company uniformly at the same time to all shareholders, investors and dealers to enable them to access all information that affect stock prices providing equal opportunities to them for their investment decision.

The Board of Directors through the Compliance department ensures that all the disclosures that the Company makes are accurate and the financial reports of the Company conform to applicable accounting standards and guidelines.

During the year, the Company disclosed all decisions taken by the Board of Directors which are of interest to shareholders and the investing

public and brokers. All such decisions were immediately notified to Qatar Exchange and the Qatar Financial Market, in addition to publication in the local newspaper and on the website of the Company.

Pursuant to the provisions of the Commercial Companies Law and the requirements of QFMA, Qatar Exchange and the Law of the Qatar Central Bank and the regulation of financial institutions, the Company also published audited financial reports in newspapers and on the website of the Company,

The Company is currently in the process of adopting Rules and Procedures in respect of the trading of the Company's shares by the Board Members and the employees of the Company and controlling such trades.

9. RELATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

- A) The Company keeps the channel of communication open and transparent with shareholders who have all the rights to be informed by virtue of relevant laws and regulations in line with the Corporate Governance requirements.
- B) The Company publishes financial information and data which is available to investors and other stakeholders on a regular basis through the Company's website and various media in addition to communication through Qatar Exchange.
- C) The Company maintains a record of shareholders which is updated monthly to comply with the register of shareholders of the Company filed with the Qatar Central Securities Depository. The Qatar Exchange carries all information relating to trading of the shares of listed companies in the stock market.
- D) The Shareholders have a right to obtain a copy of the Company's statute and all other

relevant documents for a fee as determined by the QFMA.

- E) All shares of the Company's accords equal right to the shareholders without any discrimination. In case any share amounts are owed to the Company, restrictions are imposed on such shares in the register of shareholders to share in the profit or assets of the Company.
- F) Each shareholder has the right to attend the General Assembly in person or by way of proxy as per the law in force and each shareholder shall have voting rights equivalent to the number of shares held by him.
- G) The Board ensures that as required in the relevant legislation and in accordance with the Company's corporate governance requirements, all employees are treated at par as per the principles of natural justice and equity without any discrimination, and they are empowered to blow whistle on any suspicious issues in financial reporting or internal control or otherwise while providing protection to them of any retaliation, negative action or damage.
- H) Annual General Assembly of the shareholders is held within three (3) months following the end of the fiscal year. Advertisement of the meeting is published along with all the data, information, reports and statements required for that meeting in accordance with the Commercial Companies Law, the system put by QFMA, the rules Qatar Exchange, and the statute of the Company. The Company also provides a copy of these documents to all those shareholders who want such information to facilitate their discussion on the Company's performance.
- I) The Annual Report includes the report of the Board of Directors to the shareholders and dividend recommendation for distribution of profits. The dividend is disbursed upon

adoption of the proposed distribution of profits by the General Assembly.

- J) With regard to Article 29(2) of the New Corporate Governance Code for companies listed in the principal market, the provisions of the amended AOA of the Company suggest that decisions of the Ordinary General Assembly should be by an absolute majority of the shares represented at the meeting (Article 49) (72 , 81) , and the decisions issued by the General Assembly in accordance with the provisions of the law and the statutes of the Company commits all shareholders, whether they were present in the meeting which approved the decision or absent and whether they agreed or disagreed upon the resolution (Article (74).

Therefore, the Company cannot replace the statute to include a provision that protects the company's minority shareholders in the sense referred to that item especially since this protection is only wasting the majority opinion provided in the law and shall not be violated.

As for Article 29(3) of the Corporate Governance code, the amended AOA of the Company has been stated in Article (6) of the amended AOA in terms of which it is not permissible for any shareholder other than the Government of the State of Qatar and Organizations, public institutions and affiliated entities to possess at any time more than (5%) five percent of the shares of the Company. The aforesaid article in the AOA ensures that there is no change in the ownership of the Company's capital in the sense referred to this Article.

On the other hand, the Commercial Companies Law and the AOA of the Company encompass various texts to ensure that all shareholders have equal rights without any discrimination among them and all the shares of the Company are "Ordinary Shares" and each share entitles its owner the right to a share equivalent to

the share of other stocks and the access to information and to attend General Assembly of the Company as per section (122, 123, 128, 132) of the Commercial Companies Law and section (17,18,21,23,63,62,69) of the amended AOA of the Company

However, the Company will be working to find a proper basis and mechanism to ensure that any offer of issue of share to public meets the principle of equity, justice and fairness to all the shareholders and will incorporate appropriate amendments in the statute of the Company.

In the AGM and EGM of the Company convened on 21.2.2016 the following decisions were approved;

- 1) Report of the Board of Directors on the activities of the Company and its financial position during the year ended 31.12. 2015 and the future plan of the Company and the auditor's report.
- 2) The balance sheet and profit and loss account for the year and adopted a cash dividend to shareholders (25%) of twenty-five percent of the nominal value of the shares of (QR 2.5) (QR. 2.5) Two riyals and fifty Dirhams to be disbursed as of Monday morning 22.2.2016 from all branches of the Commercial Bank of Qatar, in addition to the bonus shares by (10%) of the capital, one share for every ten shares.
- 3) Discharge of the members of the Board of Directors and approval their remuneration of (22.5) million Riyal evenly among them.
- 4) Governance Report for the year 2015.
- 5) Re- appointment of M/s Deloitte & Touche as auditors of the Company's accounts for the financial year (2016) for a fee of \$ (540,000 riyals).

The following were approved at the EGM:

1. The increase of the Company's capital from (QR. 1.846.214.370) to stand at (QR 2,030,835,807) through the capitalization of part of the profit, by distributing Bonus Share, i.e. (one share for each ten shares), to be issued after approving this increase and authorizing the board of directors to act properly with the shares fractions.
2. The Increase capital post the effect of the increase due to bonus shares, through a rights issue of (20%) i.e.(1) one share for each (5) five shares to reach QR. (2.437.002.968) through the issuance of (40.616.716) new shares for shareholders registered in Qatar Central Securities Depository on the closing date of Tuesday 1/3/2016 as per the commercial companies law and the regulation of the Qatar Financial Market Authority The price of the rights issue is (QR 50), which represents a par value of QR. 10 (ten) + a premium of QR. (40). In addition, authorize the board of directors to complete the procedures, and obtain the necessary approvals from the respective governing bodies according to the prevailing rules and regulations and to act properly with the shares fractions.
3. Amend article (6) of the Company's article of association to reflect the above capital increases.
4. The amendments of the Company's articles of association according to the Company's law No. (11) 2015 after referring this matter with the monitoring department in the MBT.
5. To approve (in principal) the amendment of the par value of the Company's share to be QR. (1) per share. Authorize the board of directors to complete the procedures according to the Commercial Companies law and thereafter amending article (6) in the articles of association to reflect the effect of this change.

10. CAPITAL STOCK

The authorized share capital of the Company is QR (2,411,386,590) divided into (241.138.659) equity shares which are fully paid. No shareholder except the Government of Qatar and Organizations, public institutions and affiliated entities is allowed to hold more than 5% of the paid up share capital.

The total number of shareholders of the Company as at 31.12. 2016 was (1797) which included Government entities, banks, companies and individuals of different nationalities. In 2015, there were (168) major shareholders who held more than (200,000) shares.

Attached is a list of their names and the number of shares owned by each of them.

11. REGULATORY COMPLIANCE

The Company has a system and process in place to ensure that all the regulatory compliance requirements and the statutory requirements of the Stock Exchange of Qatar and all other applicable regulatory authorities are compiled and followed with.

This is to ensure that no fines or penalties are imposed on the Company by any regulatory body for lack of compliance in the application and disclosure of legal or regulatory requirements

However, during September 2015, the Investigation Committee of Qatar Exchange alleged that the Company violated the trading rules on the stock market, after it had publicized on the 6th of September 2015, during a trading session, news of the ranking of the Group's subsidiary (Qatar Reinsurance Company) as being among the top 50 largest reinsurance companies in the world. The Investigation Committee imposed a penalty to the Company – a violation that was subsequently confirmed by the Qatar Financial Market Authority's (QFMA) in accordance with article no. 173 of bylaws of Doha Stock Markets (the previous name of the Qatar Stock Exchange). In response to a recommendation on the matter by the QFMA, the Company referred the case to the Disciplinary Committee of the Authority.

On 12 July 2016, the Company received a notification letter from Disciplinary Committee that it had resolved to impose a cautionary penalty to the Company in addition to a financial penalty of 200,000 Qatari Riyals.

The Company lodged the case, registered as case no.3 for the year 2016, with the Appeals Committee of the QFMA and the case will be held on 31st January 2017.

12. RISK MANAGEMENT

Risk Management Committee of the Company is headed by the Group President & Chief Executive Officer of the Company and includes a number of senior officials from different business lines. The Committee identifies, monitors and follows-up major risks that the Company could be exposed to and takes appropriate corrective and preventive actions in order to mitigate such identified risks. The Committee provides necessary guidance and directions to create an embedded risk management culture in all sectors of the Company.

The Committee submits its reports and findings to the Audit, Risk and Compliance Committee of the Board. The main areas of activity of the Risk Management Committee of the Company are the following:

A) Insurance Risk

Review of acceptances of all insurance risks and analyze accumulations and aggregation of risks based on geographical locations and various types of insurance risks. Review risk retention policy of the Company, approve tolerance limits and determine policy for reinsurance security and alternate risk mitigation. Review results of internal stress tests conducted to analyze the possible impact on portfolio risk retained as well as to check the adequacy of insurance reserves maintained by the Company (Reserve for unexpired risks, Outstanding Claims and IBNR) and its impact on reinsurance structure.

B) Operational risk

Developing plans for disaster recovery resulting from any major incidents at the Company's

headquarters. Measures taken include testing of fire alarm & engines, water and electricity generators, recruitment and training of security officials, and pay special attention to equipment and computer software including keeping a backup of all information at a different location as part of the disaster recovery plan.

C) Credit risk

Studying the financial conditions of customers and business partners and developing limits of credits and continuous monitoring of the receivables. Adequate provision is made for provision for doubtful debts against all long overdue debts which are not good.

D) Investment Risk:

The Investment Committee of the Board provides necessary directions and guidelines with regard to the investment strategy for the Company. The Investment Committee lays down maximum defined investment execution limits for each class of investments in local and global markets to ensure maximum yield and liquidity for the investments of the Company.

The report submitted by the Risk Committee to the Audit Risk and Compliance Committee in 2015 did not contain any reference to the presence of unusual risks that exposes the Company's activities and which may exceed estimates and limits.

13. RATINGS

Based on the assessment carried out by globally recognized rating agency Standard & Poor's ("S&P"), the rating received by the Company in 2006 was upgraded to A/Stable. The aforesaid ratings are based on a study and a full assessment carried of all the elements that relate to Company's financial position and organization of the administrative and operating policies before a conclusion of the demonstrated strong financial position of the Company and its ability to meet its obligations is reached. It may be pertinent to highlight that QIC is the first insurance company in

the Middle East to receive these ratings and there are only 3 (three) other companies in the Middle East to be so rated.

In addition to the above, the Company was also recently rated "A" (Excellent) by A.M Best on 26th November 2012, which is a reflection of the financial strength of Qatar Insurance Company.

The rating agency listed Qatar Reinsurance Company, a subsidiary of QIC and originally registered in the Qatar Financial Centre, among the top thirty five reinsurance companies in the world in terms of written Premium for the year 2015.

The Company has also renewed its certificate for quality business system and process (ISO 9001:2008). The Company was also awarded ISO 27001:2005 certification for Information Technology security which demonstrates the quality of IT security systems of the Company that hold information of the Company and also of its customers. The information management systems in the Company are at par with the international standards to meet confidentiality and security of all such information.

Conclusion

As detailed in the above statement, since its inception the Company is fully committed and has adhered to the requirements and principles of Corporate Governance as laid down in the rules and regulations even prior to the issuance of the Corporate Governance Code by QFMA.

Going forward, the Company will further strive to achieve and implement highest possible level of Corporate Governance culture at par with global standards.

For Qatar Insurance Company S.A.Q.

KHALIFA ABDULLAH TURKI AL SUBAEY

Group President & CEO

KHALID BIN MOHAMMED BIN ALI AL-THANI

Chairman & Managing Director